

INDIA

JAPAN

AUSTRALIA

Partners in Asia?

EDITED BY J. D. B. MILLER

'Australia is located at a superficially convenient point in geographical terms and in industrial strength to stress our interest in Asia, and in particular our interest in the two nations at the north-west and north-east extremities of the arc facing inwards to the Asian heartland: India and Japan. Yet there seems no triangular relationship much thought about, let alone practised.' These words are taken from Sir John Crawford's foreword to this book, which is the outcome of his suggestion that a conference be sponsored by the Research School of Pacific Studies at the Australian National University in order that these three countries should get to know one another better.

The papers and discussions presented here cover both political and economic questions. They examine the background of bilateral relations between India and Japan, Australia and Japan, and Australia and India; they discuss the future of Japanese economic involvement in South and Southeast Asia; they discuss India's economic problems and the extent to which Australia and Japan can help with these; and they consider the possibilities of co-operation between the three countries.

The book will find readers in the fields of business, education, and government, and should interest all those who are concerned about Australia's future relations with Asia.

Printed in Australia

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Papers from a Conference at
the Australian National University
September 1967

edited by
J. D. B. MILLER

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Foreword

The conference from which this volume has originated was the result of my quite separate dealings in the post-war period with Indian and Japanese officials on behalf of the Australian government, and, in recent years, the World Bank in respect of India. In specific terms, the idea came to me early in 1965 when I had informal discussions on Australia's policies *vis-à-vis* Asia with the Secretary of the Prime Minister's Department in New Delhi.

This background had led me to observe that there seemed little connection of significance between India and Japan; rather more between India and Australia; a great deal more between Japan and Australia; and very little of a triangular nature despite some common interests and concerns in Asia. However, my experience of India and Japan leads me to make the following points.

As regards India, my direct knowledge of the country, its geography, people, and culture, was practically nil before 1964. I had worked closely with Indian officials in Commonwealth conferences since 1950, in GATT, and in FAO—usually on matters of common concern for the rest of the world, not so often on matters of bilateral concern. These were sometimes important, however, as, for example, the Australian wheat market in India. In all these dealings I formed great respect for the Indian officials, and also made good friends. Yet throughout the period from 1950 to 1960, I gained no impression of a great force in Asian affairs in general or in Australia's in particular.

My experience since 1964 has been somewhat different and rather deeper. I became a principal adviser to the government of India and the World Bank on Indian food and agricultural policy—a role made easier by my friendships formed earlier. Since October 1964 I have seen India at closer quarters (but still, ever so fractionally), and many questions have come to my mind. India's own crises—with China and Pakistan, and, not least, arising from the great droughts of 1965-7—have on the one hand somewhat weakened her position of influence in the world, and, on the other, shaken for many in India their belief in the wisdom of non-alignment, in addition to emphasising the nature and extent of India's economic dependence on the West and the Soviet bloc. Throughout these crises, democracy has survived. This is a fact of continuing

importance to the free world of the West. A basis for rising influence in the world seems to be there if only a sustained rate of economic growth can be achieved.

It is a testing time for India; to an Australian observer many questions have presented themselves. Will the nature of India's crises bring her nearer or take her further away from Australia's view of China and Asia? Can Australia really be significant in India's economic program? What would India's economic growth mean for Australia? Some of the questions may seem impertinent: Australia's population is but a fraction of India's, yet in total affluence Australia's, by usual measures of GNP, is at least 50 per cent of India's. Moreover, there are technological areas in which Australia has much to give—and this without offence to India's own great experience in research in both the agricultural and non-agricultural spheres.

Again, both countries are concerned about vast world problems as well as with Asia: do the United Nations and Commonwealth give us sufficient scope for *rapproch* in ideas and action? Finally, Australia is located at a superficially convenient point in geographical terms and in industrial strength to stress our interest in Asia, and in particular our interest in the two nations at the north-west and north-east extremities of the arc facing inwards to the Asian heartland: India and Japan. Yet there seems no triangular relationship much thought about, let alone practised.

Let me turn to the other extremity of the arc, Japan. Before the war my interest in that country was that of a student of Pacific affairs; in the post-war period I was an administrator of much of Australia's often discriminatory economic relations with Japan, and was principal official negotiator of the Japan-Australia trade treaty in the mid-1950s. I also had considerable contact in GATT. My work was not unconnected with the San Francisco peace treaty, for this gave the Japanese the right to press for the elimination of economic discrimination.

I could say much about what has happened since 1957. The dynamism of our economic relations now embraces investment, tourism, and, rather less, cultural exchange, as well as trade. In trade Japan is for Australia, if I may repeat my own words, now the Great Britain for the Far East. Japan has assumed first place in our export trade and is coming up rapidly as a source of imports. A strong motive in negotiating our trade treaty was the political objective of having a major friend—neutral or ally—in the west of the North Pacific, or, as we still tend to call it, the Far East.

Despite the excitement of our growing bilateral relations, however, I have felt that Japan was not exercising the political influence in Asia which we might have expected and some may have feared. It talks much of a Pacific Regional Grouping somewhat on OECD

(and therefore economic) lines; but it shies clear of more formal political relations. Certainly there is little in Japanese utterances (at least those in English) about relations with India. Again, Japan is a somewhat reluctant member of the India Consortium; yet its private organisations concerned with economic development encourage the notion of common Australian-Japanese policies towards Asia. What then does Japan really want to do in Asia; what does Asia mean to Japan; what sort of relations with Australia, political and economic, does Japan wish to foster?

It will be seen that bilateral experience with two countries of importance in Asia can provoke questions in an Australian—questions of both bilateral and trilateral character. I do not pretend to suggest that the answers are all to be found in this book. But many of the answers to questions about the reasons for Indian and Japanese policies are here; and I was encouraged at the conference to discover how eager the Indians, Japanese and Australians present were to look further. Certainly, no other book has taken up this problem of whether trilateral relations of significance can be brought into being.

J. G. CRAWFORD

Preface

Australia is continually discovering Asia; Asian countries are still in the process of discovering one another, and none of them is fully acquainted with Australia. This general situation, which applies in such official fields as trade, defence, and foreign policy, and in such matters as culture and religion, applies also to academic observers. Whether they are motivated by considerations of national interest or by academic curiosity, Australian university teachers are conscious of the need for a more intimate and discriminating knowledge of Asian countries than they already possess. They want closer connections with their Asian counterparts, mutual discussion of world affairs, and a better understanding of the complexities of Asian thinking.

This volume originates from a conference in Canberra in September 1967 at which a number of Australians had an opportunity to discuss Asian problems with fellow academics from India and Japan. As Sir John Crawford indicates in his foreword, the idea arose because of his dealings with these two Asian countries, and his conviction that Australia ought to promote mutual discussion. Funds for the conference were provided from a general Ford Foundation grant to the Research School of Pacific Studies at the Australian National University, to promote international studies. Invitations were extended to four Indians and four Japanese to meet for a week with a dozen or so Australians. Unfortunately two of the Indians (Professor Lakdawala and Mr Gupta) were prevented at the last minute from attending, but they had sent papers, which were discussed at the conference, and these are both printed here.

This was a conference of academic people specifically interested in international relations and economics, so that discussion ranged over a wide field of relationships between the three countries. It was clear from the start that each of the three had a different outlook, or set of outlooks, towards Asian and world problems, and that the main value of the conference would lie in the confrontation of these outlooks one with another. Although Japanese differ amongst themselves about what sort of foreign policy their government should pursue, it is plain that they have a universe of discourse which is different from that of either Indians or Australians. They concentrate their attention on different parts of Asia, think of the

United States in rather different terms, visualise their national goals in different ways, and respond to different stimuli in regard to economic success. The differing outlooks of the three countries come out sharply in the papers, and especially the discussions, which follow: this expression of differences which are usually either overlooked or not consciously formulated provides the main interest of the book. However, the emphasis is not constantly on differences. It is also clear that common ground exists between the countries (more often bilaterally than trilaterally) and that possibilities of further connections exist.

The first three papers, by Gupta, Kamiya, and Millar, set out national positions on Asian problems at large. The next section comprises three papers on bilateral connections between the three countries concerned (Murthy on India-Japan, Sissons on Japan-Australia, and Neale on India-Australia). Then follow papers by an Indian and a Japanese (Rajan and Sakamoto) on Asia in a world context. At this point the focus, which has been primarily political, becomes economic, with four papers on economic relationships by Okita, Arndt, Lakdawala, and Clunies Ross. Finally, there is a synoptic paper by myself which takes up general questions of co-operation.

There was lengthy discussion of each paper. An attempt has been made to preserve some of the substance of these discussions by attaching reports of each. In two cases papers were discussed together, and a joint report appears here. By agreement among the participants, names are not given in the reports of discussion, except for the writer of the paper in question, but in a number of cases participants have been identified in terms of their national origins. The reports have been checked by those who took part. They do not pretend to be complete, but attempt to reproduce the tone of discussion and the main points made.

There are certain recurring themes. China is the most important. Most participants seemed to feel that the future in Asia would be determined by how China behaved, and how others behaved towards China; but there was no consensus about what typical Chinese behaviour would be. The United States is another recurring theme, as might have been expected. Here there was perhaps more agreement, although the different universes of discourse of the three countries made their existence plain. The same was true of discussions of international economic policy. The Soviet Union, less of an enigma and a problem than China to all three countries, did not figure so prominently, except in respect of its relations with the United States. The countries of Southeast Asia, so absorbing to the eyes of Australians, proved to be less so to Indians and Japanese.

Australia, India, and Japan are three countries with distinct national interests and outlooks, responding in different ways to major developments in world affairs. It is not claimed that the attitudes expressed by academics in the papers and discussions which follow are either official or overwhelmingly typical of their countries; but one can argue that they would certainly be amongst those attitudes which came to the fore when national policies were being formulated.

J.D.B.M.

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Abbreviations

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| ANZAM | Australia, New Zealand (and the British military organisation) in the Malayan area |
| ANZUS | Australia, New Zealand, United States Treaty Council |
| ASEAN | Association of South-East Asian Nations |
| ASPAC | Asia and Pacific Council |
| CENTO | Central Treaty Organization |
| <i>CPD</i> | <i>Commonwealth Parliamentary Debates</i> |
| DAC | Development and Assistance Committee (of OECD) |
| DOFP | Draft Outline of the Fourth Plan (India) |
| ECAFE | Economic Commission for Asia and the Far East |
| EPIC | Export Payments Insurance Corporation |
| GATT | General Agreement on Tariffs and Trade |
| MFN | Most Favoured Nation |
| NATO | North Atlantic Treaty Organization |
| OAS | Organization of American States |
| OECD | Organization for Economic Co-operation and Development |
| OISCA | Organization for Industrial, Spiritual and Cultural Advancement (Japan) |
| OPEC | Organization for Pacific Economic Co-operation |
| SEANZA | Southeast Asia, New Zealand and Australia Central Banks |
| SEATO | Southeast Asia Treaty Organization |
| UN | United Nations |
| UNCTAD | United Nations Commission for Trade and Development |

Part I
Views of Asia

India and the Future in Asia

Sisir Gupta

Of all the continents, Asia appears to be the most disturbed one today. Economic backwardness, political turmoil, and social instability are the common features of Asian life (with the obvious exception of Japan); these provide the background for intense international conflicts and the pursuit of anti-*status quo* objectives, through a combination of overt and covert uses of force, by emergent centres of power. Before discussing the problems involved in constructing stability in Asia, it is necessary to describe briefly some aspects of the present Asian situation.

While in some smaller Asian countries remarkable rates of economic growth have been maintained, the overall picture is still one of relative stagnation. The *per capita* incomes in the major Asian countries are dismally low: China, India, Pakistan, and Indonesia are among the poorest countries in the world. In all these countries bold plans for economic regeneration have been worked out and there is a growing concern for economic betterment. But the gap between promises and performances is still great. Politically, none of the Asian societies is placid. There are of course important variations in degree so far as the level of involvement of the population in politics is concerned. But, by and large, all Asian societies are in the midst of a political upheaval. Vast social changes are taking place and they have an inevitable impact upon the politics of these societies. In brief, Asian societies are economically backward but each one of them has been served the political notice that, unless things improve rapidly, convulsions and violent changes will become unavoidable.

One could derive two important conclusions from the phenomenon described above. In the first place, rapid economic growth must continue to be accorded the highest priority in any scheme of restoration of order and stability in Asia. Secondly, the search in Asian societies for meaningful political systems, which will be most conducive to the solution of their deep-rooted social and economic

problems, must go on uninhibited. There is no single model that can suit all the Asian countries and each must evolve its own pattern. An undue international concern with internal political changes or attempts to impose preconceived patterns may prove to be the worst inhibiting factor in this process.

The search for stability in Asia, therefore, must be based on differentiation between internal and international *status quo*. Many of the present Asian states are yet to develop distinct national personalities. Very often, identifiable national groups are divided. But the present international boundaries in Asia are endorsed by the United Nations and no recasting of the map may make the pattern more logical than it is today. Given time and a stable international environment, all these states are likely to develop a distinct sense of nationhood; the task meanwhile is to prevent these internal issues within the various Asian states from becoming inter-state issues in Asian politics. Thus, while an effort to maintain the internal *status quo* in terms of political and social structure may be positively harmful from the viewpoint of stability in Asia, the international *status quo* in terms of state boundaries and the general political map of the continent needs to be vigorously guarded.

It is only on this basis that a structure of peace and order in inter-Asian relations can be thought of.

Some relevant questions in viewing the future of Asia are: Is there an effective international order or a world political system in existence which will help the maintenance of peace and stability in Asia? What is the role of Asian countries themselves in erecting and sustaining a structure of stability? What kind of a power system in Asia is most conducive to the short-term and long-term needs of Asian stability?

Even if the great technological revolution of this century had not occurred, Asia would not be the type of continent which could work out a Monroe doctrine for itself. There is the vast Eurasian landmass, and events in Europe and Asia inevitably begin to cast their shadows on each other; the two Super Powers of today are directly affected by the course of affairs in Asia. But the most important fact, of course, is that the world is becoming smaller and any scheme for the stabilisation of Asia must fit into the larger scheme of things in the world. Involvement of non-Asian powers in the affairs of Asia is in this sense not only unavoidable but important.

The problems of Asia arise out of the inadequacy of the existing world political system. It is necessary to enumerate the reasons for concern in Asia. In the first place, some of the major European powers with highly developed industrial and technological bases

have a degree of indifference towards Asia. It is possible to detect in the Gaullist view of Asia, for example, an outlook which regards this continent as an impossible burden for the rest of the world to carry. The problems in Asia are of such magnitude and the task of showing results so formidable that it may appear wise to many to leave this continent to stew in its own juice and evolve its own system, even if such a system is based on unconcealed domination of smaller states by the biggest one.

The Soviet Union is still largely concerned with Europe and West Asia; it may also have an increasing stake in South Asia. But, partly because of the limitations of its power and partly because of the problems it faces in other sectors of the world, its interest in Asia as a whole has been secondary. The United States as the dominant power in the Pacific is bound to remain greatly concerned with Asian events, but even there it is possible to foresee a degree of tiredness of American domestic opinion with regard to Asian affairs. In brief, it is possible to advance the proposition that the three main pillars of the world political system—the United States, Western Europe, and the Soviet Union—may not continue to have an abiding and persistent interest in Asia to the extent necessary for the system to be effective in ensuring stability in this continent.

But even if they have the necessary degree of interest, whether in the present circumstances they have the ability decisively to influence and control developments in Asia, is another problem. The nature of the interrelation between the Super Powers is such that amity and animosity exist side by side. The logic of nuclear weapons forces them to co-exist and devise areas of agreement. It is also possible that they have discovered that an unbridled competition between them would weaken both in respect of the growing challenges from outside their system.¹ But by no means have they

¹ Some perceptive Western strategists have drawn an analogy between the post-1918 and the post-1945 situations:

'In 1918 the European drama closed with a number of major changes: the destruction of the Austro-Hungarian and Turkish Empires, their place being taken by a conglomeration of new nations; the forcible contraction of Germany, now a unitary state; the slow, painful but irresistible unfolding of the Soviet Revolution in Russia; finally the antagonism of the two great victors (France and Great Britain) who conducted between themselves a little undeclared war (exemplified by the Turkish, Hejaz, Syrian and Riff crises) pursued until a major mutual danger appeared, the resurgence of Germany.

'In 1945 the world drama closed with major developments analogous to those of 1918: the destruction of the European colonial empire, its place being taken by a conglomeration of new nations; the forcible restriction of Japan and Germany (the latter this time divided, unlike 1918); the slow, painful but irresistible unfolding of the popular revolution in China; finally the antagonism of the two great victors (the United States and the U.S.S.R.) who have carried on be-

been able to evolve a relationship which provides a frame of security to all other countries of the world. Asia, in particular, continues to suffer from a sense of uncertainty.

There is no doubt that a world political system exists and in a cumbersome manner it strives to enforce a degree of order in international society. But its efficacy and adequacy is limited. And, certainly, from the point of view of Asia, it has by no means evolved as yet to a level when it becomes an adequate security system. It should undoubtedly be the objective to promote the existing system and its efficacy, but there must be hard calculation as to what it can achieve in this continent.

The debate on non-proliferation is a pointer to what the system can and cannot do. It is possible for the Great Powers to agree among themselves that other nations should be prevented from proliferating. To this extent, there is a distinct area of agreement between them. It is, however, not possible for them simultaneously to erect an alternative and credible security system for other nations because too many areas of conflicting interests are involved. It is for this reason that the discussions at the Eighteen Nations Disarmament Conference have been disappointing to countries like India. The prospects of the great powers acting in unison beyond the point where their interests directly and obviously converge are, therefore, not bright.

The problem is to widen the area of agreement between the Great Powers and to help them evolve a common attitude towards such disturbed continents as Asia. It is in this sense that the Indian emphasis on disarmament and early arms control measures among the Great Powers, in lieu of the non-nuclear powers, signature on the treaty, becomes a very meaningful posture to adopt. The extent of the Great Powers' perception of identity of interests in Asia and their capacity to accept joint responsibility would be determined by the state of their relations. In the absence of positive measures for the further improvement of their relations, a non-proliferation treaty appears as a mere device to refuse to widen the base of the system and exclude other powers from the task of political management of the world.

The trouble in Asia is that, even with the best of intentions, the Great Powers by themselves may not be able to ensure the kind of security that the Asian powers need. In any great power approach

tween themselves a cold war which only shows signs of dying now that a major mutual danger is appearing—the resurgence of China. . .

"The above example shows that the present-day world is in process of emerging from the "post-war" phase with the major victors in restrained opposition, and is about to enter an entirely new phase resulting from the appearance of a mutual danger. . . ." (André Beaufre, *Strategy of Action* (London, 1967), pp. 41-2.)

to the problems of Asian security, there is bound to be a much greater emphasis on the need to accommodate China than the Asians themselves would like to place. China has become a nuclear power and is expected to be a power capable of threatening the United States in a few years time. Whether the pursuit of a modern nuclear capability will expose serious weaknesses in the Chinese economy and make her political system vulnerable is one question that poses itself. But should the Chinese be able to maintain a reasonable rate of economic growth, a high degree of internal cohesion, and a sense of purpose and direction in foreign policy while developing these weapons, a possible response of the non-Asian great powers will be to view sympathetically the claims of China to a special status in Asian affairs.

It is possible to argue that the acquisition of a nuclear capability will in fact reduce the number of strategic options available to China. Like the U.S.S.R., China may in course of time perceive the dangers of conflicts and tread the path of competitive co-existence. It is also possible, however, that the nuclear balance with the U.S.A. and the U.S.S.R. will provide China with considerable scope for the use of force in unsettling the political map in South and Southeast Asia. It has been the view of some American strategists that the Chinese, and not the Soviets, may have been correct about the implications of nuclear balance for local wars and conflicts. Morton H. Halperin wrote in his *China and the Bomb*:

The Chinese seem to have attached the highest priority to the task of avoiding a direct military clash with the United States that could lead to a nuclear war. Even in the activities they have urged upon the Soviet Union in under-developed nations, they seem to have been guided not by a desire to bring on a general war *but by the perhaps correct calculation* that more vigorous Soviet action would *not* lead to general nuclear war.

There is no early possibility of a meaningful arms control dialogue between China and the Great Powers; in any event, such an arms control dialogue will have to proceed *pari passu* with the political dialogue on the role and place of China in Asia. There is no doubt that the Great Powers would like to limit the area of Chinese influence and that, in their own ways, both the Soviet Union and the United States will continue to be present in Asia. But if peace and stability in Asia are a function of American-Chinese or Soviet-Chinese balance, other Asian powers will gradually cease to have the desired measure of influence on the course of events in Asia. The fact that with the exception of Japan there is no other Asian country that can hope to have influence on the policies of any of the Great Powers makes the situation more depressing. It is here that Australia, which has chosen to belong to the Western alliance

systems in Asia and which has for ethnic and other reasons a much larger influence on Anglo-American policies in Asia, has a distinct role to play.

Apart from the China problem, many countries in Asia, particularly India, have a different kind of security problem for which the great power system is apparently not fully adequate. It is possible that the Super Powers which are interested in global peace and stability will have a desire to see the end of local conflicts and wars. Their capacity to enforce peace and order in such situations is, however, greatly limited by other considerations. The stability of their own system has often to be guarded by quarantining the parties engaged in local conflicts.

In fact, the present situation provides an impetus to anti-*status quo* powers in various regions of the world to wage small-scale or limited wars to settle political issues. The Super Powers have between them a balance and a system which they like to protect by remaining away from such conflicts. Moreover, the system has by now acquired sufficient capacity to endure, in spite of local wars and conflicts. Hence, a local war in which the Great Powers are not involved, even if it is meant to disturb the *status quo* in a region, is not necessarily a source of great concern to them. Moreover, the endurance capacity of their system may create the feeling that if some of the embarrassing local problems are resolved through local conflicts, it may in fact help to promote the kind of global stability to which they feel committed. For a country like India, which is not only interested in global peace and stability but also in ensuring the regional *status quo*, this unfolding contradiction between the interests of global stability and the interests of regional stability is a matter of obvious and serious concern. The Great Powers working through the United Nations can be expected to be effective in *restoration of peace after a war has started but not in preventing a war from starting*. And at the end of any brief conflict and the inevitable cease-fire, the process of political bargaining is influenced by the relative holdings of real estate by the parties in conflict.

The inadequacy of the world political system in ensuring peace and security in Asia makes it incumbent upon the Asian powers to devise their own models of stability in Asia and to try to build a viable structure of their own. It is not as though any such Asian system can ignore the existence of non-Asian interests in our continent. In fact, the viability of the system will ultimately depend on how well it has integrated itself into what is called the world political system. There is no purely Asian answer to the problems of Asia, but a non-Asian answer to Asian problems is more glaringly

inadequate. It is, therefore, necessary to expand and widen the base of the world political system in order to make it effective in Asia by including the major Asian powers in the list of the pillars of stability. In fact, to be effective and adequate, any structure of stability in Asia must essentially rest on Asian pillars, possibly with marginal support from outside.

The power and position of China in Asia are usually over-estimated and those of the other major Asian powers are under-rated. By any standards that one may apply, Japan is a major power. Only if it decides to undertake a political and military role in Asia can it considerably influence the shape of further developments. Indonesia is a country of considerable size and resources. If, out of the political turmoil in that country, a meaningful political system should emerge, its contribution to peace and stability in Asia can be substantial. Pakistan, with its 100 million people and a stable government, is another medium power of great importance. Finally, India, in sheer population and size, is comparable with China.

One can envisage various alternative models for Asia. It is possible to envisage a situation when China will not only become the predominant power in Asia but its predominance will be recognised by others. A relationship between the smaller Asian countries and China, conceived in terms of the existing relationship between the United States and her partners in the OAS, is thus one of the distinct possibilities. If Asia is unmanageable, it may be considered to be a good riddance by others if China can be made to provide a stable political system for Asia, using her traditional influence in some of these areas and the overwhelming power at her disposal. A second model can be one of limited accommodation of China, particularly in certain areas of Southeast Asia, coupled with an attempt to build up a new pattern of stability through co-operation among countries like India, Japan and Australia, such political co-operation being militarily underwritten by the presence of the United States in Asia. A third model could be one of the emergence of India, Japan, Indonesia, and Australia individually, their possessing the required amount of countervailing power in order to contain China. This would inevitably raise the question of national capabilities and require a more detached and objective discussion of the question of nuclear capability than has been possible so far in view of the superficial concern about proliferation.

There are too many variables in the present Asian scene, and it may be wrong to pick up any one of these somewhat simplified models as the one best suited to Asia. Yet one must have some long-term approach to Asia and a long-term frame of reference.

There must be patient efforts carried on over a long period before any scheme of stability in Asia can be implemented.

As viewed from India, the most rational and stable structure for Asia is a polycentric one. It is possible to conceive a broad Asian front against China or a measure of co-operation among Asian nations in the face of the Chinese challenge only when the major Asian countries have achieved a degree of national military capability to back up their foreign policy interests. The pursuit of the objective must be accompanied by the growth of institutions of co-operation and consultation among the major Asian nations. But an Asian balance of power without effective power in Asian hands is virtually a contradiction in terms. It is possible that in a polycentric Asia, China will be countered by some powers and supported by others. In other words, an eventual balance will emerge through a process of alignment and realignment among the Asian countries. Should Chinese power ever become so threatening as to require the co-operation of all Asians, such co-operation would become inevitable.

It may be worthwhile to summarise the major points made above before considering the question of India's potentialities and problems in playing a role in the erection of a structure of Asian stability: (1) the world political system is greatly relevant but not adequate for purposes of Asian security; (2) the burden of imparting stability and security in the Asian state system must largely be borne by the Asians themselves, and the situation demands the growth of national military capabilities in the major Asian countries; (3) the model which would best suit Asian needs and interests is one of a polycentric Asia in which the major Asian powers will emerge as independent centres of policy making, eventually leading to the creation of a stable balance in Asia.

India, which contains more people than there are in Africa and Latin America—people whose *per capita* income is less than \$100 per annum—is bound to be engaged for a long time primarily in meeting internal challenges and performing domestic tasks. Not only has an adequate rate of economic growth to be maintained, but also ways and means found to bring about structural changes in society. Again, the modernisation of India implies not only economic and social progress but the nurturing of a suitable political infra-structure. National integration and cohesion need to be promoted; the political system needs to be made capable not only of endurance but also of achievement; firm codes of political conduct need to be evolved in order to discourage violent and distracting agitations. In brief, the task of managing the Indian society and registering the required measure of economic pro-

gress is formidable, and it is improbable that any national leadership in India will cease to attach the highest importance to internal affairs and begin to look outward.

India in its international behaviour is a *status quo* state. There is no national *irredenta*; nor is there any urge to disturb the peace of the region or of the world in order to achieve a fundamental restructuring of world politics. The problem of India is that she has to live with two anti-*status quo* neighbours who have irredentist claims on Indian territory and are engaged in creating a power situation in the region which will force India to succumb to their pressures. It is also possible that these two neighbours of India will not rest content till the weakness and insignificance of India have been institutionalised, either through a cutting down of the size of the country or through disruption of the Indian state. India, therefore, has a problem of survival. In meeting the challenges to her security, India hopes to have the sympathy and support of friendly nations, big and small. To a large degree, India hopes that any large-scale war or invasion of India will be deterred by the existence of what has been called above the world political system. She has also embarked on a program of modernising her armed forces in order to be able to meet certain types of military threats. Considerable progress has been achieved in this field, and she eventually hopes to be able to meet the threats to her security and integrity on her own.

The major contribution that India can make to Asian peace and stability is to protect her own borders and preserve the integrity of the Indian state. The very existence of a large *status quo* nation of the size and importance of India—a nation fully committed to world peace and stability—is a major contribution towards stabilisation of the Asian scene. She has also a vital stake in the preservation of the independence and security of her immediate neighbours like Nepal, Ceylon, and Burma. Her capabilities at the moment are limited, but she perceives that there is a correlation between the security of India's neighbours and the security of India.

In Southeast Asia, India's capacity to perform any role is not very high. She, however, has an interest in seeing that the countries of Southeast Asia, big and small, continue to be free to pursue their own foreign policies and to evolve their own political systems. Both in South and Southeast Asia, India sees the need for increasing co-operation among these nations, particularly in the economic field. It may be a very helpful development from India's point of view if the smaller nations of this area could begin to belong to larger groupings for purposes of their economic progress and political stability.

India has a major interest in seeing that no Asian power becomes dominant enough to have an area of influence in South or South-east Asia. She also has an interest in seeing that non-Asian powers do not come in to fill the so-called vacuum. In other words, the need is to evolve a self-sustaining balance in Asia, where at least four or five Asian states are capable of playing a power role, their interaction providing the necessary freedom of manoeuvre to the smaller countries to remain as entirely independent entities. India attaches considerable importance to the expanded political role of Japan in Asia, just as it would be a matter of great satisfaction if Indonesia were to emerge out of her present political turmoil as a strong, stable and peaceful state. It is India's hope that her relations with Pakistan will improve and the two major nations of the sub-continent will begin to perform the role of a sheet anchor of stability and security in southern Asia. It would be a disaster from the Indian point of view if Pakistan succeeds in realising her present aspirations of creating a situation in the sub-continent in which India and Pakistan will cancel each other out and thus make themselves incapable of playing a larger role in Asia. A sub-continent which has been effectively neutralised through an arms balance may not be able to live in peace if it does not simultaneously contribute to the larger task of creating a stable Asia.

Indian opinion has increasingly become aware of the importance of Australia. Apart from the further development of bilateral relations between India and Australia, there is the problem of involving Australia in the affairs of Asia. For many purposes, Australia is still viewed in Asia as a Western outpost. But sheer geo-political considerations make it inevitable that Australia should undertake an important role in erecting a structure of stability in the Asian continent. It is also an important factor that Australia and Japan in their own different ways have much greater influence on Western policies in this area than India would hope to have. India for its part may have some, though not comparable, influence on the policies of the Soviet Union in Asia. Part of the rationale for increased consultation and co-operation between countries like India, Australia, Japan, Pakistan, and Indonesia lies in the fact that only thus can they hope to bring about a power balance in Asia. But part of the rationale of this is that this would help the major world powers to evolve more meaningful and acceptable policies towards Asia.

DISCUSSION

Professor Rajan deputised for Mr Gupta in introducing the paper. He indicated that it fell into two parts, the first analysing what was wrong with the framework of Asian security, the second showing how India looked at Asian problems. With regard to the first, Mr Gupta had argued that the world political system, especially through the activities of the Great Powers, could not deal adequately with Asia's problems; Asian states should have their own system of security, integrated with the world system. A polycentric structure was needed for a meaningful balance of power. As to the second, Mr Gupta considered that India was a *status quo* power faced with two irredentist neighbours. It had a vital stake in the independence of its various neighbours and of other Asian countries. Although it had only a limited capacity to assist the countries of Southeast Asia, it certainly wanted closer and better relations with Pakistan, and increased contact with Japan and Australia.

Much of the discussion was concerned with the framework of security suggested by Mr Gupta, and his description of India's place in it, especially in the character of a *status quo* power. At the start it was suggested that the fact of India's being a *status quo* power was not, in itself, a guarantee of its abstention from war. Austria-Hungary before 1914 had been a satisfied power, but had felt obliged to go to war against those irredentist states which had designs on it. Moreover, Europe in this period had been distinctly polycentric, with several major powers free to move as they wished, but this had not prevented war. Perhaps better models for Asia would be found in post-1815 Europe, when peace was preserved by rational agreement between the great powers involved, or post-1945 Europe, when it was preserved by external pressure. Asia might be best suited by a combination of these two situations, with the United States providing sufficient external pressure to deal with major sources of conflict, and the Asian concert dealing with other issues such as Cambodian-Vietnamese and Kashmir disputes. To the objection that the Super Powers would not be prepared to allow Asian states to settle their own affairs, it was replied that the U.S.A. and Soviet Union might well be glad to see solutions to problems such as Kashmir arrived at by Asian agreement, not by their own intervention.

There was some disagreement about the extent to which the present *de facto* boundaries in Asia (including those of India) should be regarded as final, and whether they might prove a cause of instability. On the one hand it was argued that any compromise settlement of existing disputes might require adjustment of boundaries; on the other, that *de facto* boundaries must be preserved, in

spite of their irrational character in some cases, because the internal power structure of individual Asian states demanded it: national movements had adopted particular boundaries and would insist on sticking to them. This seemed to be the case in regard to India, although it was argued from the Indian side that, while India opposed attempts at changing boundaries by force, it was prepared to consider any peaceful, constitutional means of dealing with boundary problems.

The *status quo* power question was pursued further. In elaboration of the doubts cast earlier on whether India's position as a *status quo* power was itself a force for peace and stability, it was suggested that this would be so only if India were strong; as a weak *status quo* power, which could deter neither China in 1962 nor Pakistan in 1965, India might be a destabilising agent. From another source it was suggested that if India were threatened by two irredentist neighbours, as Gupta said, the logical thing would be to come to terms with one of them. India had tried this with China, but it did not work; would it not be better now to seek an accommodation with Pakistan, through whatever minimum change was needed to satisfy that country? The Indian answer was that with each concession made by India Pakistan asked for more. Kashmir was not the only issue; on others, such as the Indus waters issue, refugee property and post-partition debts, India had shown a willingness to negotiate but Pakistan had been difficult. There was also the problem that on this matter the governments on both sides were more reasonable than the peoples. It was now hard for any Indian government to get a national consensus on any Kashmir solution that might prove acceptable to Pakistan.

Attention was then directed to some wider aspects of the paper. One participant suggested that it showed ambivalence in its treatment of the role of outside powers in Asia. On the one hand it said Asians should settle Asian issues; on the other it seemed to fear that the outsiders would go home and leave Asia to itself. Specifically, there was a fear that the Great Powers would agree amongst themselves and that the understanding they achieved would work against Indian interests. In this connection it was important to remember, when employing the 'balance of power' concept, that 'stability' had never meant the retention of existing boundaries and governments in all circumstances. In fact it had often meant that the Great Powers agreed to bear the cost of this while the small powers protested against their involvement. One could, indeed, take an opposite view to Gupta's, and say that understanding between the Great Powers ought to take precedence over the smaller states' demands for the retention of their existing frontiers, since such understanding was likely to lead to world peace. Another par-

participant said he thought Gupta was aware of this possibility, and really wished the Great Powers to be out of Asian affairs altogether, so long as there were 'Asian pillars' which could ensure local security. However, it was also suggested that, while Gupta had indicted the Great Powers for not being able to prevent local wars from breaking out in Asia, Asian powers were neither interested in doing this nor capable of doing it. Moreover, it was suggested from another source, Gupta had not adequately fitted China into either his great power or his Asian picture. Unless ambiguity of this kind was resolved, it was idle to speak of either great power withdrawal from Asia or some local control of Asian disputes. Even if one assumed an Asia from which the other Great Powers had withdrawn, leaving it to be managed by China as the immediate Great Power, such a solution could not be acceptable to India. In reply to this it was argued that, even though such a solution could be imagined, it was not in fact occurring, because international pressure and opinion were being exerted to prevent it. India and Pakistan were both restrained from doing what they might wish to do; even China, in spite of its apparent recklessness, could not afford to neglect the pressures of world order. In this view, there was some prospect of both a greater degree of Asian harmony and a continued discriminating intervention by Great Powers, on lines acceptable to most Asian countries.

Finally, it was suggested on behalf of Gupta by an Australian participant that he had not treated China as outside Asia, but had seen it as a necessary part of the purely Asian power balance which he would like to see. What he had not done was to treat China as part of the system of Asian co-operation designed to contain her.

Japan in Asia

Fuji Kamiya

The concept of foreign policy in post-war Japan has had the unique characteristic of idealistic pacifism. Reaction to the pre-war militarism, heavy defeat in the war, and the tragic experience of Hiroshima, all of these combined to produce a nation-wide atmosphere of anti-war belief and pacifism. Besides, the American policy toward Japan immediately after the Occupation aimed, as reflected in General MacArthur's statement that Japan should be a Switzerland in the Far East, at demilitarisation and democratisation. This also encouraged pacifism. And so we came to have a new constitution which rejected not only armed conflict but also the army itself.

After the late 1940s, and especially after the outbreak of the Korean war, the United States fundamentally changed the Occupation policy to attach importance to Japan's role as a bulwark against Communism in Asia. They intended to make Japan self-reliant both economically and militarily. We acquired a Police Reserve Force of 75,000 in August 1950 by the directive of General MacArthur. It was renamed Security Force two years later and again National Defense Force in July 1954. The National Defense Force at the present time amounts to some 240,000. But the rate of defence expenditure in our total budget has declined even since China's nuclear test, and the ratio in our gross national income has never reached 2 per cent. Even though public opinion surveys show that a big majority recognises the necessity of defence forces, the latter have always been more than 20,000 men beneath establishments.

During this period, Japan has taken economic development as her primary goal. This policy has so far been quite successful.

An article of mine—'Inward-looking Countries, Outward-looking Countries' appeared in the *Chuokoron* in December 1966. In it I advocated that developing countries should hold nation-building as well as domestic development as a primary national goal. Some Asian countries after the war were influenced so much by the concept of the Cold War among the Great Powers that they sometimes

TABLE 2.1 Defence Expenditure of Japan
(billion yen—Y360 = \$US 1)

| | 1960-1 | 1961-2 | 1962-3 | 1963-4 | 1964-5 | 1965-6 | 1966-7 |
|---------------------------|----------|----------|----------|----------|----------|----------|----------|
| Defence budget (A) | 160.0 | 183.5 | 213.8 | 247.5 | 280.8 | 305.4 | 345.1 |
| Gross national income (B) | 11,999.7 | 14,213.8 | 15,746.9 | 18,265.5 | 20,522.5 | 22,340.0 | 24,880.0 |
| Total budget (C) | 1,765.2 | 2,107.4 | 2,563.1 | 3,056.8 | 3,340.5 | 3,744.7 | 4,477.1 |
| A/B (%) | 1.33 | 1.29 | 1.36 | 1.36 | 1.37 | 1.37 | 1.39 |
| A/C (%) | 9.07 | 8.71 | 8.34 | 8.10 | 8.41 | 8.16 | 7.71 |

Note: Fiscal year is from 1 April to 31 March.

neglected the importance of grappling with internal problems. The Republic of Korea under Syngman Rhee and Indonesia under Sukarno were typical examples. Nor is Nehru free from the criticism that he was involved in outward politics too much, even though his posture of neutralism was a passive one. From this point of view one can say that Japan's inward-looking attitude maintained throughout the years was wise.

The success of inward-looking and 'economics-above-all' policies was regarded as the success of pacifism. So a strange combination of economic realism and idealistic pacifism is still prominent on the Japanese scene. The profound conflict between realism and idealism makes it very difficult for her to have a national consensus on foreign and defence policies in the foreseeable future.

However, a new, remarkable tendency has appeared during the past five or six years. First, the turn of the focus of world politics from Europe to Asia and the Sino-American confrontation with the Chinese nuclear demonstration and the Viet Nam war as its corollaries has enhanced the concern in Japan for Japan's security.

Second, the Japanese have become more conscious and confident of the economic prosperity and political stability of their country.

Third, the idea has risen to them that their long-established inward-looking attitude is too narrow to maintain prosperity and stability. It should be replaced by a broader attitude encompassing the stability and development of Asia which coincides with Japan's national interest in the long run. These factors have had a remarkable impact on the Japanese, resulting in the growth of a realistic, analytical approach.

Now, from the realistic, analytical viewpoint, do we need any drastic change in our Asian policy? Fortunately, no. Let me discuss some points.

The Threat of China

Since the Chinese nuclear explosion some people have put emphasis on her threat to Japan. However, we do not regard it as so great. Militarily, it is indeed a new threat to us. But there is a big difference between the other nuclear powers and China. The former got into the nuclear stage after passing through a highly developed conventional armaments stage, whereas the latter has developed a nuclear weapon without an adequate modern conventional capability. China shows us a strange spectacle of the co-existence of a massive manpower strategy and a nuclear strategy. As long as we remain under the protection of the U.S.'s nuclear deterrence, we need not greatly fear a Chinese military threat.

Economically, too, China is not a threat to Japan in the foreseeable future. About ten years after the establishment of the revolutionary régime, Stalin set out his first five-year plan and succeeded in the task of industrialisation. Mao also, about ten years after revolution, started the 'big leap' and failed in it. The chaotic Cultural Revolution has further delayed China's timetable. Even if China regains a sort of national unity in the near future, it will probably take several decades for her to be industrialised. Thus, fortunately for us, China's economic threat to Japan is less now than, say, five years ago.

As regards political infiltration, Japanese democracy is already mature enough to discern what the reality of Chinese 'people's liberation' or 'middle zone' strategy is, as witness the Japan Socialist Party's defeat at the last election and the Japanese Communist Party's declaration of independence from Peking.

However, Japan does not want to keep China as weak as possible. History shows that China becomes militant when she is too weak as well as when she is too strong. In order to make her moderate and mild, we should rather try to open her closed society and encourage her toward modernising herself. Whoever should succeed Mao in China, we should not co-operate with any policy intended to destroy co-existence with China. We are sure that a moderate China is a necessity to the stability of Asia.

Japan's Contribution to Asia

Needless to say Japan should in future bear more responsibility and burdens for the sake of Asia as her national power increases. This is because security and stability in Asia coincide with her

national interest. In what fields, then should she increase her responsibilities and burdens? Militarily? No.

Some countries in Asia complain that Japan is avoiding her military responsibilities. True, the Japanese defence budget has been small compared with other advanced countries and the Japanese defence forces at the moment may not be strong enough to defend even herself. She cannot send troops overseas.

However, the countries that make this complaint would feel threatened and accuse us if Japan had large forces. Without too strong a force, Japan can have a friendly partnership with Asian countries. Any attempt to replace the military role the United States is carrying out in the Asian-Pacific area would prove to be not only an unbearable burden for Japan but also a big source of uneasiness to other countries. This would apply *a fortiori* to Japan with an independent nuclear capacity. This would be inimical to an effective Asian policy and would break the friendly relationship with the United States.

Therefore Japan's increased contribution to Asian-Pacific stability in the future should be in the economic and political fields.

Relationship with the United States

Lastly we have to mention the United States. Regional stability and development in the Asian-Pacific area will, whether we like it or not, depend upon U.S. power, including its military power. We sometimes call the present world situation a 'Russo-American' system. But the Soviet Union is not powerful enough either economically or militarily to take the place of the United States. The Glassboro conference dramatically showed us this reality. Looking at the problem squarely, we frankly have to recognise the necessity of a continued U.S. presence in Asia. On the other hand we have to add that not only American over-commitment but also her under-commitment to Asia would not coincide with our ultimate interest.

DISCUSSION

Professor Kamiya introduced his paper by stressing the points in it about the special quality of Japan's foreign policy (characterised still by a strong sense of pacifism and an inward-looking tendency) and what he had written about the respective positions of China, the United States, and the other parts of Asia. He ended by indicating that he was not optimistic about any rapid development of Indian-Japanese-Australian co-operation, especially since Australia was still not fully an Asian power.

Discussion was begun by an Indian participant, who said Japan's position was unique since it was free of many of the problems other Asian countries had. It possessed economic prosperity, political stability, and international recognition because of its economic success. The Soviet Union and China, as well as the United States, respected Japan for this. How was it to use its strength? This, he believed, depended on the role that the Japanese wished to play. They were still undecided. Kamiya might be right in thinking this was because of the conflict between realism and idealism, but it might also be because Japan was unwilling to accept responsibility so long as others took it; Kamiya's final sentence supported this view. So long as Japan stuck to its own interest alone, other Asian countries were likely to treat its behaviour as opportunist or selfish.

Attention then turned to the possibilities of Japanese involvement in Asian problems. On being asked what development, if any, might bring about Japanese military activity on the Asian mainland, Professor Kamiya replied that an American retreat from Asia might conceivably cause this. He added that Japan would not be likely to have nuclear weapons for ten or fifteen years, and that, if there were armed conflict between China and any other Asian country, he could not see Japan intervening in such a war with conventional weapons. Another Japanese participant suggested that, if there were undoubted Chinese aggression, the Japanese people might agree to send troops as part of a UN force, but not as a Japanese force in its own right. A third Japanese suggestion was that Japanese people generally did not want to use military force to settle international conflict; they preferred to solve it beforehand by economic improvement. Professor Kamiya thought it possible that if Japan's trade with Southeast Asia were affected by its failure to provide military support, the constitution's reference to armed forces might be amended.

An Australian participant asked why the Soviet Union seemed to attract so little Japanese worry as a possible enemy. Was this because Soviet power was assumed to be balanced by that of the U.S.A.? Professor Kamiya replied that he had made little mention of the Soviet Union because he did not regard it as either a present or a future threat. The conflict between China and the Soviet Union was likely to continue, and this would probably be to Japan's advantage. To an objection that historically the threat to Japan had been seen as coming from Russia, he replied that the Soviet-American *détente* was likely to continue; Japan was close to the United States; so Japan was almost free from Soviet threat. Another Japanese saw no vital Soviet interest which might cause the Soviet Union to attempt nuclear war in East Asia. The Soviet Union was now a *status quo* power. Recently, it had been Japan which had made

demands, as for the Kuriles and Sakhalin, rather than the Soviet Union.

Professor Kamiya was asked whether the Japanese regarded a continued American presence in Asia as normal, rather than abnormal, as other Asian states might. In his view, Japan had three options: to stay under the American nuclear umbrella; to rely on its own nuclear weapons; or to depend on no nuclear forces at all. He preferred the first, and thought most Japanese would agree. Another Japanese participant, reviewing the position, said the present government preferred the first of these options, but the Socialists, with one-third of the voters, preferred the third. Changes in domestic politics might well affect Japanese policy. If one thought in terms of two sorts of possible war, nuclear and local, the majority Japanese line on the first would probably be that there was now a nuclear stalemate, which Japan need not join, and which, if it tried to join, might cause it economic damage and make its position dangerous. The Japanese view that the worst way of settling disputes was by means of nuclear weapons might well be accepted in the end by other states. On local war, the prevailing view was that Japan should not be involved in any local war outside the country. Japanese pacifism was not just spiritual: Japan was now dependent on imported sources for vast quantities of raw materials, and the free flow of these required peace.

However, there were still queries about possible Japanese involvement. To a Japanese suggestion that Japan did no one a disservice by not playing an active role in Asia, an Indian reply was that this was so, but that Japan could help in solving disputes such as those between Malaysia and Indonesia, and India and Pakistan. To an Australian query about what Japan might do if the United States, on withdrawing from the Asian mainland in, say, 1985, asked Japan to provide conventional forces in other parts of Asia, the answer was that such a withdrawal's effect would be to create more pressure in Japan for nuclear strength. To another Australian suggestion that, even though Japan might not provide military help, it might be in her interests to invest heavily in countries on which she depended for raw materials and which might otherwise prove unstable and cause military conflict, the answer was that Japan should certainly increase its aid to other Asian states.

Finally, there was discussion of what the American nuclear umbrella meant to Japan. One Australian participant asked what the umbrella meant, since nuclear power was not allowed to be deployed on Japanese soil. Professor Kamiya's answer was that the nuclear umbrella was provided by Japan's security treaty with the United States. Any nuclear capacity sited in Japan itself would be vulnerable to Chinese attack, so it was in both Japanese and Ameri-

can interests to have none there. The position of Okinawa, where American nuclear power is located and over which Japan is said to have residual sovereignty, was discussed at some length, together with the problem of American nuclear-armed ships. The last word, perhaps, lay with an Australian participant who looked ahead to the time when there would be a nuclear stalemate between the United States and China, both being able to attack one another's cities. Then, he suggested, the credibility of any American guarantee to Japan might depend on whether American servicemen and their dependants were actually present in force in Japan itself, as was the case now in Western Europe.

Australia and the Future in Asia

T. B. Millar

Australian attitudes to Asia, or at least to Asia east of Iran, are very different from those of her two 'great and powerful friends', Britain and the United States. She does not have any substantial military or economic power to deploy in Asia, does not have the legacy of missionary, financial, and other involvement, is not as committed as the United States to containing communist sin because it is communist, and can no longer satisfactorily withdraw into isolation (or alternative engagements) across a wide ocean. At least until Papua and New Guinea are independent she has no colonial legacy to raise plaintive appeals for assistance or angry reproaches for inadequate or unkind treatment.

The debate in Australia over whether Australia is or is not 'in' Asia is carried on largely at an undergraduate level by people who want to prove either that they are progressive (i.e. pro-Asian) or conservative (i.e. pro-British, pro-U.S., or pro-Australia's high standard of living). In Asian countries, people who raise this issue critically with Australians do so largely as a debating point to establish (a) that Australia is still an imperial appendage, albeit of a different white emperor; (b) that the Australian immigration policy is immoral and unfair to Asians; (c) that Australia is doing far too little economically for Asian developing countries; or (d) she either should not be in Viet Nam or is there for the wrong reasons. There is probably some basis for each of these criticisms.

In many ways, Australia is not much less 'a part of Asia' than is Japan or the Philippines, both of which have strong reservations about sympathetic (as distinct from profitable) involvements in Asian affairs. The ocean moat between them and the Asian mainland has enabled them to enjoy more sharply separate economic and political development and relationships with (especially) the United States than has been the case with countries in the Asian continent. Where Australia is less 'a part of Asia' than Japan or the Philippines, it is because of its racial composition, its continuing British

links, and its psychological separateness as a relatively affluent ally.

The time has probably passed when substantial numbers of Englishmen were more emotionally committed to India than to Australia. Similarly, despite the economic ties and the strategic importance of Japan to the United States, Australia (so at least Australians like to think) invokes more sympathy in America than does Japan. But Britain is on the ebb-tide of her involvement, and the United States probably near the flood, perhaps soon to turn. It is a matter of conjecture how much response would be evoked in Britain today, or in the next few years, by a physical threat to the security of Australia, but Britain is steadily and deliberately reducing her capacity to make a substantial response. The United States is not reducing her capacity to respond, nor is her apparent interest in Australia's security weakening. But, as will be discussed later, other factors may affect America's concept of her role in Southeast Asia, in ways that could in turn affect Australia's involvement in Asia and the extent to which Australians identify themselves with the region.

Thirty and forty years ago, the Asian threats which Australians were concerned about were cheap Japanese imports and increasing Japanese military capacity and truculence. The European and American empires in Asia, although they provided a comfortable milieu, gave no assurance of protection from either of these dangers. When war came, it was against Germany for two years before it was against Japan. Although analogies are impossible, there is a degree of parallelism with the Soviet Union and China today—the former as a major threat to world peace, the latter more as a threat to local security.

Australia's fears for its own safety have been, since 1949, related primarily to the Chinese People's Republic. Here was the Communist monolith in its Asian manifestation, an almost limitless pool of humanity for an army of liberation or a flood of migration, an inscrutable source of oriental cunning or of terrorist subversion. Some Australians saw self-fulfilling prophecies in American and Australian attitudes to China, but these people were in a minority. There was, after all, a whole series of incidents in which 'Chinese Communists' were involved—in Malaya starting in 1948 and running for twelve years, in Tibet, in Korea, in Indo-China, in Borneo, in India, as well as parts of Africa. In a wider sense, 'Communism' was active in subjugating eastern Europe, in setting up the Berlin blockade, in suborning Western scientists, and within Australia in fomenting industrial unrest. When the coup of 30 September 1965 failed in Indonesia, Australians heaved two sighs of relief: one because of the downfall of Sukarno, who had been engaging in military adven-

tures and had given the people increasing circuses and decreasing bread, and another because of the implications for Indonesia's relationship with Communist China. Had the coup been successful, China would in effect have leapfrogged SEATO and landed on our doorstep.

The Viet Nam war is also considered very much a Chinese-stimulated activity. The original successful uprising against the French was made possible by Chinese arms, equipment, and training, and this is the case with the further war which began in 1959 and is still continuing. When announcing the despatch of Australian troops to Viet Nam, in April 1965, Sir Robert Menzies said the war, by attempting to take over South Viet Nam, 'must be seen as part of a thrust by Communist China between the Indian and Pacific Oceans'. China is also a major factor in Hanoi's current intransigency.

Australians have tended to take seriously China's fulminations against the West, her open encouragement of subversion in Laos, Thailand, Burma, and elsewhere. They have also been disturbed at the Chinese nuclear program, as destabilising the Soviet-U.S. condominium, as perhaps enabling China to take nuclear hostages in Asia, and ultimately as deterring the United States and allowing China to make use of her greatest military asset against her neighbours—manpower.

On the whole the debate has been carried on within Australia at a low intellectual level. The fact, for instance, that China has no capacity to launch an invasion of Australia for the next ten years, has not permeated the public consciousness, but nor have the more sophisticated points about threats to lines of communications which China may be able to offer. The government has played upon—and the public have reacted to—the simple fears of a Chinese 'threat', massive if ill-defined. These fears have been reinforced by China's nuclear explosions.

The Cultural Revolution and near-civil war in China have not yet indicated that China is disintegrating and might thus cease to constitute a potential danger to Australian security. In February of this year, the Minister for External Affairs declared:

It is my view and the view of my Department that whoever comes out on top in mainland China in the near future is not likely to have a fundamentally different attitude towards international affairs. The regime will still be dedicated to world revolution and to supporting the overthrow, by violence if appropriate, of regimes in countries which are not in line with Peking. This must represent a constant and direct threat to China's neighbours in particular. It must also indeed be harmful to the interests of all countries, and a threat to them, if Communist China were to

mount aggression against any of its neighbours, whatever the political complexion of that neighbour may be.

Whatever may be *likely* to happen in China, clearly no present Australian policy can be based on an assumption that there will be a remarkable change for the better in China in the near future. The consequences of assuming and preparing for the worst and being proved wrong have always been far easier to contemplate than the consequences of assuming and preparing for the best and being proved wrong. And it is always impossible to be sure whether a prophecy fulfilled was self-fulfilling or perspicacious.

Taking 'the future' as referring to the next ten to fifteen years, there are many areas of instability in Asia which are not directly concerned with China, but China appears to be the major potential source of instability and conflict, the nation most likely to upset the *status quo* substantially. It might not make much difference whether she did so because of a *Chinese* desire to achieve her 'rightful place' in the world and in her own environment, or because of a *communist* fulfilment of ideological ambitions, or in reaction to capitalist American 'encirclement'. The effects could be the same.

Any assessment of Chinese intentions must be speculative, but what will she be able to do to upset the *status quo* or pour fuel on current fires that can be reasonably inferred as coming within the ambit of her declared interests? Here are some possibilities:

1. She is likely to continue to give physical and moral support to the war in Viet Nam, to discourage Hanoi from negotiating except on conditions (or with the confident expectation of conditions) of American humiliation and withdrawal. If American or South Vietnamese ground forces entered North Viet Nam in substantial strength, Chinese would probably do the same. If Hanoi is prepared to negotiate from a position of weakness, this also might stimulate a Chinese entry into North Viet Nam. A foreign war of this kind may not be unwelcome to Chinese leaders in their present predicament. One cannot imagine Peking being acquiescent about anything less than friendly neutral governments in North Viet Nam, Laos, and Burma. China will continue to render assistance to Communist insurgent groups throughout South and Southeast Asia.

2. At present China has no outlet on the Indian Ocean. American and Soviet submarines and surface ships can move there at will, using fleet trains if necessary. American Polaris submarines can operate unhindered from the Bay of Bengal against Chinese nuclear sites in Lop Nor. Although long-range missile-firing submarines may well be on the Chinese agenda, it would be clearly in China's interest to have either land access to the Indian Ocean or the use of port facilities there. This could be easiest achieved through:

- (a) friendship with Pakistan, and thus the use of Karachi or Chittagong;
- (b) obtaining a privileged position, leading perhaps to control, in Singapore;
- (c) Burma—the installation of a Communist government might be a prerequisite;
- (d) Ceylon;
- (e) Zanzibar, where there is already a Chinese military presence, or
- (f) Southern Arabia, in which China has shown considerable interest.

Of these, Singapore probably offers the best options. There are excellent naval and air base facilities; the population is 75 per cent Chinese, with a large radical element; unemployment is 12 per cent and rising, so that civil unrest will need little stimulation; the British are leaving, perhaps (as in Aden) regardless of the effect on the internal or external security situation. A Chinese military attack on Singapore is very remote and would bring strong reactions, but there are various other ways of gaining influence or control over a period of years. Despite the vulnerability of island bases in time of war, Chinese control of Singapore would drastically alter the strategic situation 'east of Suez'.

3. At a time when the United States is preoccupied elsewhere, and when China can land missiles on American cities, she might use her nuclear capacity to threaten countries currently important but not vital to the United States. (Alternatively she might offer material inducements to them to change their policies.) The objectives would be to get American bases, communications, and space tracking stations out of Japan, Okinawa, Thailand, the Philippines, Australia; additionally to obtain preferential terms in the purchase of Japanese and Australian manufactured products, and of Australia's food grains, fibres, and certain special raw materials.

Australia already sells large quantities of wheat, substantial amounts of wool, and smaller other items including steel, to China, which is now her fifth best customer. The Labor Opposition watches in anguish while the Government makes political capital out of fear of China and makes export income by selling China rural produce from rural voters. In effect, the Australian taxpayer is subsidising the Australian farmer to grow wheat for China, which uses it as a grain replacement for Chinese rice, quantities of which are in turn profitably exported.

It is possible that China will emerge from the present domestic struggles with her unity greatly impaired, which would affect her

international standing, foreign policy, and military capacity. It is too much to say that this would eliminate Australia's foreign policy apprehensions, but it would greatly reduce them.

Other threats to instability in Asia are of far less significance to Australia, either because they impinge less directly or are of lesser magnitude. The perennial India/Pakistan dispute does not excite Australians on one side or the other, and Australia has publicly supported neither. If open war erupted again, Australia would be neutral, unless perhaps Pakistan were to align herself fully with Communist China and make a common military cause against India. In such a case Australia might contribute a little to a Western defence program for India. This would probably happen also in the event of a second Chinese solo attack on India, yet there seems little rationale for such an attack.

Pakistan has been a sleeping partner (or worse—a source of insecurity) in SEATO for years. India, on the other hand, has a series of incongruities, even incompatibilities, in her foreign and defence policies. She is important to Australia in so far as her great experiment with democracy is successful, and in containing so much of the Chinese border; but she also has built-in instabilities within and without. She has had few foreign policies in common with Australia's. She appears to have no desire and little capacity to contribute to the peace of Asia beyond her own borders. Her capacity to build a nuclear bomb is not yet a military factor, but actually to build one would be intensely destabilising—it would alarm Pakistan, it would worry India's Western friends; it would probably not unduly affect China, because of India's problems with a delivery system.

Might India also lose much of its cohesion under its inter-regional and provincial/centre tensions? To an outside observer, this seems not greatly less possible than in China. Its effects would be incalculable, but one could envisage renewed conflict with Pakistan, and Chinese attempts to gain dominant influence in the Himalayan states and in provinces such as Kerala or Bengal.

In terms of a capacity to influence events in Asia, Japan is next in importance to China; yet, having burnt her fingers badly between 1931 and 1945, Japan shows little intention to intervene except through trade and investment. She is getting the best of all worlds at present. She is profiting by her technical and trade arrangements with the United States, is selling under the American umbrella in Southeast Asia, is able to spend very little on defence. She can rationalise this profitable situation on moral, economic, or historical grounds. Japan is the only state in Asia capable of containing China (apart from the Soviet Union), but is one of the least interested in doing so unless she is herself threatened.

So long as Japan concentrates on economic activities, she does of course raise fewer fears that she may be bent on military adventures of her own. She has a vested interest in being at peace, although she does not necessarily have an interest in the absence of military conflict in the region. She made considerable profits out of the Korean war and is doing the same out of the Viet Nam war.

Because of her economic strength, great industry, and obvious military potential (including nuclear missiles within a very few years of taking a decision), Japan is one of the keys to the future security of Asia. In recent years, Japan has become Australia's best customer, and an important if still relatively small source of investment. But her political and defence policies are not cut and dried. She wants no new military alliances, may even slough off the old in time. Over Indonesian confrontation with Malaysia, she appeared more convinced by Indonesia's size than by Malaysia's cause. If there is a new co-prosperity sphere, it is economic and not military. But economic activities make paths for political influence.

From Australia's point of view, Indonesia is the third significant power in the region. It is a large, permanent neighbour; it is potentially rich, potentially strong, potentially unstable. It has not yet shown a capacity for strong and sensible government, but the present administration is the nearest to it for many years. An Indonesian decision to develop nuclear weapons is one of the few situations which would prompt widespread desires in Australia to do the same. The reverse is also probably true.

The substantial departure of Britain from Malaysia and Singapore may well lead Indonesians to reconsider their ambitions. Many who believed in confrontation are still in positions of authority; the Army is still seeking a role, and is not wholly satisfied with repairing roads, growing rice, or running factories. Indonesia's preoccupation with handling her own Chinese, and with Chinese Communists generally, predisposes her towards seeking to muzzle Chinese influence elsewhere in Southeast Asia and particularly in Malaysia and Singapore. Yet she cannot attempt any further military activities for some years without foreign aid, and which nation is going to render it, in view of the events of recent years?

Australia had been forewarned about Britain's decision to withdraw from Southeast Asia, but (officially, at least) hoped that Britain would be deterred from such action either by American pressure or by Australian disbelief in the possibility. The result was that the necessary reassessment of defence and foreign policies is only now taking place. Australia is committed to the defence of Malaysia by a unilateral declaration of her Prime Minister, and by involvement in the ANZAM defence arrangements, including the Commonwealth

Strategic Reserve. There are a battalion group, air and naval units in Malaysia. There are small liaison staffs but no forces in Singapore.

So far as we can judge, both Malaysia and Singapore would welcome an Australian decision to retain a military capacity and interest in the region. To withdraw existing forces would be a gesture of significance comparable (relatively) with Britain's. Mr Holt rightly said that Australia cannot take over Britain's role in the area, but he did not say Australia could not take over any part or aspect of Britain's role.

The Australian component of the Strategic Reserve has always been said to relate to SEATO, and although Tunku Abdul Rahman has publicly placed conditions on the process of transferring forces from Malaysia to a SEATO situation, the fact that they are in Malaysia, are acclimatised and trained for Southeast Asian conditions, makes them much easier to put quickly into Thailand or Viet Nam than if they came from Australia or even New Guinea.

In anything but a very short term, Australian troops can only be in the Malaysian area as part of a wider security arrangement. Small contingents of white troops are vulnerable and ineffective, if not counter-productive. It may thus be a pity that Australia was not an original member of ASEAN which, although not a military organisation, is considered by Indonesians to have military implications for the future. If Australia's exclusion was due to Indonesian desires for dominance within the group, they would naturally not want to have Australian troops where they could help protect Malaysia once again. The Australian government is showing increasing sensitivity to Indonesian desires. On 17 August 1967, the Minister for External Affairs said in Parliament:

Any security arrangements to which Australia becomes a party should therefore be such as to be understood by the Indonesian Government as serving objectives which are in the interests of Indonesia too, even though Indonesia may not be a party to them.

Australia is a member of ASPAC, along with Japan, but it has yet to be shown whether this organisation will do much more than organise its own meetings. By including Taiwan, South Korea, and South Viet Nam but not Indonesia, Cambodia, Burma, or India, it has an unfortunate right-wing flavour to it which could not easily be changed. The presence of Taiwan especially raises problems for countries which recognise Peking. Its main purpose would seem to have been to attach Japan to an anti-Communist Asian group, but the tie is so slight as to appear almost meaningless unless Japan herself breathes life into it.

Australia needs international alliances and engagements which will do the following:

- (a) continuously engage the United States in the security of the region against Chinese military actions or threats;
- (b) engage Japan in a responsible way in the security of the region;
- (c) offer Indonesia scope for international activity, while sublimating any tendencies to military adventures.

For all its weaknesses, SEATO comes close to doing the first, or is the context for America's present involvement; the second seems presently unattainable; the third may possibly develop from ASEAN, preferably in a widened form. No single, overall treaty is in prospect.

Australia's own role in the region is not easy to see. Her commitment to Viet Nam is primarily, though by no means solely, a commitment to the United States. Britain's departure leaves the Indian Ocean as a partial power-vacuum, which Australia cannot fill but must, in her own protection, help to fill. The United States is beset by so many evils at home and by such an indeterminate and increasing war abroad that one must consider whether at some point a post-Johnson President may decide to cut his losses on the mainland and withdraw to the islands. The signs do not point that way at this stage, and there is nothing inevitable about American withdrawal. She has been in Europe for over twenty years. But if she does withdraw from the mainland, it is almost inconceivable that Australia would keep forces there.

The British withdrawal would seem to force Australia more firmly into an American alliance, but there is a strong public reaction against the steps involved and the implications for Australia's place in the world. Australia has no dreams of empire or of great power status, but she has visions of an independent role, image, status in Asia which are not necessarily incompatible with an American alliance. The next few years will show whether Australia has the initiative, imagination, wisdom, and strength to gauge the currents in Asia and ride them without sinking.

DISCUSSION

In introducing his paper, Dr Millar pointed out that he had omitted economic questions and also nuclear questions (which excited little discussion in Australia); however, in the long term economic questions might matter most, since they involved Japan and China in regard to trade, and India, Pakistan, and Indonesia as to aid. The idea that Asia might be a danger to Australia was a latent fear in Australia, expressing itself not only in schemes for defence, but also

in arguments for population growth and economic development. Australia might some day be a granary for Asia, but it also wished to be a provider of manufactured goods. In Asia itself, China was the major problem for Australia, one about which it was hard to come to firm conclusions. Japan mattered greatly also, but was no worry. India was seen as important, in the ways indicated in the paper; Indonesia was seen as both a problem and a possible threat. Australia resisted the notion of an absolute choice between Asia and the West, said Dr Millar, but had still not formulated a considered view. The British withdrawal was revealing a new situation in which Australia might have to rely much more on its own resources. The economic bases for this were already laid; other aspects had to be worked out. A stronger, more self-reliant Australia might well have closer relations with Asian countries than exist now.

Discussion was opened by a Japanese participant, who took up three points. First, he questioned the comparison between Australia on one side and Japan and the Philippines on the other, in their approach to the Asian mainland. There was an important difference of attitudes. Japan's being part of Asia was not just a matter of foreign policy, but of culture. Although Japan's economic advance made her feel different from other Asian countries, this did not destroy the influence of the cultural background. Second, he thought Millar's assessment of Australian public opinion showed a tendency to exaggerate the threat from China. Americans, Japanese, and Australians were so accustomed to positions of superiority to China that they became nervous of any change in power relationships. The Chinese looked at the world in terms of the wrongs done to them in the past; other countries tended to forget these and concentrate upon possible threats from China. In any case, there was quite a difference in one's view of China, depending on whether one stressed its Communism or its Chinese-ness. Third, he thought Millar's tendency to prepare for the worst represented strategic, not political thinking, and could be criticised because it encouraged self-fulfilling prophecy, and because it discouraged attempts to take the initiative in relaxing tension. Millar seemed to neglect altogether the possibility of 'unilateral initiatives' of this kind by countries such as Australia. Dr Millar's reply was that, while he had not raised the question of unilateral initiatives, he had not ruled them out. It was necessary to remember, however, that the choices open to Australia were limited.

There followed a discussion on what identification with Asia involved, as regards both Japan and Australia. Japanese participants said that 'Asia' was still a somewhat confusing concept for the Japanese, who were accustomed to think of East Asia, with its 'Confucian family', as their familiar environment. To the question

(from an Indian) why Japanese opinion polls consistently put Western countries ahead of Asian countries as 'favourite' countries, the answer was that many Japanese thought first of material standards. The question of whether this entailed any connection with 'understanding' of other Asian countries was left in abeyance.

Dr Millar thought it important to recognise that Australia was becoming by degrees less homogeneous, in cultural terms, with Britain and the United States. To an Australian interjection that this did not necessarily bring Australia closer to Asians, Dr Millar replied that, while it did not mean Australians becoming more like Asians, their greater interest and involvement might make them more acceptable in Asia. From another Australian quarter it was strongly argued that young Australians no longer considered the question 'is Australia part of Asia?' a meaningful one; they wanted more to do with Asia in a great many spheres. Another Australian argued that the question had become a moral one for the young, linked as it was with issues of poverty and development. To continued objections that an attempt to understand was not the same as an attempt to identify, and that there were similar moral strivings towards Asia in the United States, Dr Millar replied that Australia had less to distract it than the United States. Its attention was not drawn towards Africa, Latin America, or the Middle East, but was concentrated on Asia. He was supported by a compatriot, who argued that the change in Australian education towards awareness of Asian history and problems might make Australians more acceptable than Europeans or Americans in Asia in future.

Finally, Dr Millar's paper was examined by an Indian participant in terms of its treatment of India. India's foreign policy, it was suggested, was not the only one displaying incongruities, which were to be found in all foreign policies. India did seek involvement with other countries, and peaceful settlement of disputes, as she had shown by her dispatch of peace forces to the Congo and the Gaza Strip, and her membership of the Indo-China control commissions. India's internal tensions could be exaggerated; there was in fact a great urge towards unity, given the immense size and variousness of India. Dr Millar replied that whatever incongruities there were in other foreign policies this did not mean that India's had none. India's had an important and disturbing effect on her relations with countries like Australia. When he had written of contributions to other countries' security, he had meant military contributions to the containment of conflict already begun.

Part II
Bilateral Connections

India and Japan

P. A. Narasimha Murthy

Relations between India and Japan have passed through several phases, each characterised by certain special features. The first phase, which lasted for about five years from the time of the signing of the San Francisco Peace Treaty, was a period of uncertainty and mutual indifference. Neither India nor Japan had any special use for each other in this period. The second phase begins with Japan's efforts to uncoil itself and seek friendly relations with other countries. This phase covers the period from 1957 to 1962. During this period Indo-Japanese relations warmed up a little and the two countries developed close economic relations with each other. There was a mutual appreciation of the economic opportunities offered by each to the other and a desire to exploit these opportunities. This was also the period when India's prestige in the Asian-African world was at its height. The initiative for better Indo-Japanese relations came largely from Japan because of its desire to gain accessibility to the Asian-African world. The Indian response to Japanese moves was slow. The third phase began in 1963 when India began to show, in the wake of the October-November 1962 border conflict with China, some flexibility in its diplomatic posture. The shift from a doctrinaire to a realistic position became clear in the post-Nehru period (i.e. after 1964). In keeping with this shift, there have been several attempts, since 1962, to reach some sort of political understanding with Japan. Notwithstanding these attempts, relations between the two countries in this phase have shown a tendency to taper off. Just as India was slow to respond to Japanese moves in an earlier phase, so has Japan become slow to respond to Indian moves in the subsequent phase. A characteristic feature of this phase is that while Indian expectations regarding Japan are increasing, Japan's expectations about India are steadily declining. This is because of a very rigid application of an efficiency test by Japan to India's economic record.

I have attempted here to study these phases in some detail. The presentation is mostly factual, and no attempt is made to digress into general questions relating to the foreign policies of India and Japan.

Differences and Similarities

As the two leading non-Communist countries in Asia, India and Japan have many things in common. Both are free societies and have a fairly successful parliamentary form of government; both want peace and stability in Asia and the world so as to pursue unhindered their respective economic objectives, and to raise the living standards of their people by concentrating their national energies on economic growth; and both are broadly agreed on the urgent need to support the independence and economic growth of poorer countries of South and Southeast Asia in order to ensure peace and stability. There are, of course, many differences between them, as, for example, in the size of their economies and the scale of their achievement, in their economic philosophies and their political outlook and attitudes. Japan is an industrial giant despite its small size and poor natural resources; India is many times bigger than Japan and has vast human and material resources, but its economy is poor. The gross national product of India—\$US40 billion in 1963—is about half of that of Japan, and its *per capita* income about one-tenth that of Japan. Japan's rate of expansion has been the highest in the free world in the last ten years, whereas India's progress has been disappointingly slow. Economic strength and technological talents have won for the former a pivotal position in Asia. India's poor performance has led to a decline in general faith in its ability to emerge as a strong nation. This difference in achievement has affected the degree of their dependence on each other. Whereas India's dependence on Japan has steadily increased, the latter's dependence on the former has declined. The difference in achievement has, to a certain degree, something to do with the difference in the economic philosophies of the two countries. India believes in a regulated economy, whereas Japan is wedded to a free enterprise economy. Trade and capital transactions between a centrally planned economy and a free enterprise economy are slow to grow, and perhaps they will never reach the same level as between two free economies.

In political outlook, India continues to believe in non-alignment, though less rigidly than before, whereas Japan follows the policy of alliance with the United States. This difference has been a source of misunderstanding on both sides. While India regarded Japan, until very recently, as a willing and silent partner of the United

States, Japan suspects India's non-alignment to be sympathetic to the Communist bloc.

In a sense, India is outward-looking, and takes interest in broader world problems like anti-colonialism, anti-imperialism, the rights of the oppressed peoples, and the prevention of domination of one nation or group of nations by another. The Indian mind seems to have a peculiar fascination for international, rather than strictly national, problems only. Japan, on the other hand, is largely inward-looking, and this explains that country's preoccupation with problems of national interest. Insularity has also produced a sense of extreme reserve and caution in matters of general interest. If politics-oriented India has tried to raise its voice in the councils of the world, commerce-oriented Japan has remained silent and has attended to problems connected with its trade and development. Finally, for reasons which are partly historical and partly political, both India and Japan look to the West far more than to each other. These differences are by no means insignificant, and because of them Indo-Japanese relations have remained merely correct—neither hostile nor too cordial.

India and the Peace Settlement with Japan

Japan entered into free India's diplomatic thinking for the first time on the eve of the San Francisco Peace Conference. The question of a peace settlement with Japan aroused the attention of Indian leaders who, soon after India's independence, had expressed the hope that the victors would treat Japan leniently and reinstate it in the family of nations at an early date. Inspired by idealism and a spirit of friendship and co-operation with all countries of the world, India desired to have an early peace settlement with Japan and normalise Indo-Japanese relations.

The question of a peace settlement was, however, a matter which concerned not only India but all those who had fought against Japan. However much India might have wished to come to terms with Japan quickly, a general peace settlement seemed difficult in view of the then prevailing world situation. By 1950 the problem of a peace settlement with Japan had got inextricably mixed up with Cold War rivalries. The United States, which had played a leading role in the war against Japan and its occupation later, was naturally inclined to build up Japan as its ally in East Asia. The Soviet Union, on the other hand, wanted to ensure that the United States did not use its position as the sole occupying power in Japan to seek a settlement which conferred upon it an advantage like the use of air and naval bases in Japan proper and in the Ryukyu and Bonin islands. The Soviet Union, however, failed in this because the United States managed to muster enough support for its peace pro-

posals among its allies and decided to sign a separate peace treaty with Japan.

The Japanese Peace Treaty was signed on 8 September 1951 at San Francisco. Forty-nine countries, including Japan, signed the treaty. The Soviet Union attended the Peace Conference but refused to sign the treaty. Neither Communist China nor Formosa was invited to the conference. India, Burma, and Yugoslavia declined the invitation to attend the conference.

India's views on the question of peace with Japan were set within the framework of its policy of non-alignment and commitment to world peace. Throughout the negotiations which preceded the conclusion of peace with Japan, India refused to be drawn into any one-sided arrangement and held steadfastly to the view that the settlement with Japan should not be influenced by the rivalry of the Great Powers. India was uneasy about the expansion of military alliances, and it naturally feared that a settlement which bound Japan permanently to one of the two blocs into which the world had then found itself divided would be a source of conflict and tension in Asia. From the Indian point of view, peace in East Asia was to be the primary objective of any settlement with Japan.

The final draft of the Japanese Peace Treaty, as well as the invitation to attend the San Francisco Peace Conference, was received by the Indian government in August 1951. The terms of the treaty were found to be unsatisfactory. On 25 August 1951 the Indian government sent a note to the U.S. government, complaining that the treaty had failed to give Japan a position of honour, equality, and contentment among nations and that it had not been so framed as to enable all the countries specially interested in the maintenance of peace in the Far East to subscribe to the treaty sooner or later. Apart from disappointment over the exclusion of Communist China from the Peace Conference, India strongly protested against the provisions relating to the disposition of territories taken away from Japan and the stationing of foreign troops on Japanese soil even after the termination of the occupation. These views had been conveyed to the U.S. government earlier, too, in the hope that they would be incorporated into the final draft. But when it was found that no attempt had been made in the final draft to accommodate these views, India declined the invitation to go to the Peace Conference. In thus rejecting the invitation India was not trying to obstruct a settlement with Japan but was only protesting against the policies pursued by the West (and especially by the United States) in Asia. Any misunderstanding that India was reluctant to conclude peace with Japan was removed by the Indian government's assurance that a separate peace treaty would be signed with Japan after the termination of the occupation. The decision to

reject the multilateral treaty resulted in some strain in India's relations with the West. Whatever the latter may have thought of it, India's decision was an assertion of its independence and an expression of its policy of non-alignment in a world bedevilled by the Cold War.

The Indian position on a peace settlement with Japan had a favourable impact on most people in Japan. It was hailed both as a courageous and a fair-minded stand. The radical Socialists in particular (who were at that time led by Mosaburo Suzuki) endorsed the Indian view whole-heartedly and felt that a general peace settlement (that is a settlement which included both the Soviet Union and Communist China) was desirable from the point of view of good economic and political relations between Japan and its neighbours. Japan had suffered a shock in its defeat and unconditional surrender, and the mental depression into which the nation had fallen was further accentuated by a sense of isolation from the rest of Asia. The countries which had been overrun by Japanese forces during the war distrusted Japan and many of them wanted harsher terms to be imposed on it. Communist China and the Soviet Union, two of Japan's largest and closest neighbours, exerted relentless pressure on it by direct and indirect methods. In this situation it was natural that the Japanese should have felt encouraged by India's gestures. Like India, Formosa too showed sympathy, friendship, and goodwill towards the defeated country.

Grateful appreciation of India's stand did not, however, mean that the Japanese agreed with all the objections raised by India against the terms of the San Francisco Peace Treaty. There were many who disagreed with the Indian view on the question of stationing U.S. troops in Japan, and almost the entire nation felt that India's insistence on the recognition of the Soviet claim over the Kurile Islands was unjust. Knowingly or unknowingly, India had accepted the position of the Soviet Union and its allies on the question of territorial disposition, and this naturally became a source of anxiety for Japan.

The Japanese acceptance of the San Francisco Peace Treaty and the U.S.-Japan Mutual Security Treaty produced a fundamental difference in the political outlooks of India and Japan which has remained unbridged to this day. In contrast to India's belief that non-alignment was the only way to preserve peace and stability in the world, Japan accepted the view that peace and stability depended upon the balance of power between the Communist and non-Communist forces. The Indian hope that a proud country like Japan might extricate itself from the Cold War alliances and co-operate with India as a moderating and stabilising force in Asia received a further jolt when the then Prime Minister of Japan, Shigeru Yoshida,

announced in January 1952 that his country was going to conclude a peace treaty with the Chinese Nationalist government in Formosa. Rightly or wrongly, it was concluded by Indian leaders that Japan had taken the final step to join the anti-Communist arrangements in Asia.

Indo-Japanese Peace Treaty

Neither Japan's acceptance of the San Francisco Treaties nor its decision to come to terms with Formosa altered India's promise to conclude a separate peace treaty with Japan. The state of war with Japan was terminated on 28 April 1952, the day on which U.S. occupation of Japan came to an end, and independent India's first ambassador presented his credentials in Tokyo on 7 May 1952. On 9 June, the Indo-Japanese Peace Treaty was signed in Tokyo. By this the two countries pledged to maintain firm and perpetual peace and amity between their respective peoples. They agreed to enter into negotiations on commerce, shipping, and aviation (Article 2). Pending the conclusion of an agreement, the parties undertook to extend to each other the most favoured nation (MFN) treatment for four years from the date of the signing of the treaty in respect of tariff, trade, and residence. India agreed to waive all claims of reparations against Japan (Article 6), and the latter in turn agreed to waive all claims against India for action taken during the war or occupation. The treaty came into force on 27 August 1952 when the instruments of ratification were exchanged in New Delhi.

The Peace Treaty was a simple treaty of friendship between India and Japan. There was no long-term political or diplomatic objective in it, and its immediate purpose was to place the relations between the signatories on a normal footing. In view of the considerable gap which existed in their outlook and policies as well as their marked reluctance to assume responsibilities of leadership in Asia, it was difficult for them to think of any political understanding. Both adopted an extremely cautious attitude because of the fear that their actions and utterances might be misunderstood. India, of course, believed in playing an *active* role in so far as this was helpful to bring reconciliation between East and West and reduce world tensions. Military weakness and economic backwardness were the prime considerations in India's choice of the role of an honest mediator. Japan chose to remain *passive* and in the background both because of its temporary military and economic weakness and because of the fear that any attempt on its part to play a different role in Asia might revive old memories.

The growth of Indo-Japanese relations in the post-treaty period was disappointingly slow. Economic ties were fostered after the lapse of a few years, but politically the two countries remained

poles apart in spite of their common stake in peace, economic progress, and democratic institutions. There was a perceptible change in India's attitude towards Japan following the conclusion of a peace treaty between the latter and Formosa (28 April 1952) and Prime Minister Shigeru Yoshida's forthright statement that his country would never associate itself with any Communist country. Doubts were also cast on Japan's capacity to take independent decisions in its foreign relations. These doubts were further strengthened by the utterances of Japanese leaders, who tended to reiterate on all occasions the strength of Japan's bonds with the United States and Europe and treat the Asian countries with studied indifference if not with downright contempt. The conservative leaders of Japan seemed to look upon non-alignment in foreign affairs as an unrealistic policy pursued by weak and small countries. In consequence, for some years, Indo-Japanese contacts were confined to an exchange of visits between journalists, businessmen, trade representatives, and cultural teams. Official attitudes outside the normal diplomatic channels were strictly formal and rigid on both sides.

The situation began to change due to economic considerations as well as Japan's growing desire to regain its erstwhile position as a nation of considerable consequence in Asia. India's support for Japan's application for membership of the United Nations and the visit of the Indian Vice-President, Dr Sarvepalli Radhakrishnan, to Japan in 1956 encouraged Japan to make further moves for improving Indo-Japanese relations.

In the late fifties Japan slowly began to assert its independence from the United States. Expanding economic strength, relaxation of tension in the world, and change of leadership gave Japan a new opportunity and confidence to rebuild its shattered relations with neighbours far and near. It had become clear to Japanese leaders that their country's reliance on the United States for its international conduct had isolated it from the rest of Asia, and that the only way to end this was to improve relations with neighbours. This was further strengthened by the Bandung Conference of Asian-African countries held in April 1955 and the increasingly significant role played by the Asian-African group in the United Nations. By the end of 1956 Japan had succeeded in settling the reparations question with the countries of Southeast Asia and in terminating the state of war with the Soviet Union. The pursuit of a constructive policy towards all Asian countries became more apparent during Mr Nobusuke Kishi's term as Prime Minister of Japan. His main objective was to end his country's isolation, and he proposed to achieve this through economic and not political means. He was aware that an overtly anti-Communist or anti-neutralist stand would not take his country far in regaining the confidence and trust of

the Asian countries. Hence he laid emphasis on economic co-operation between Japan and the countries of South and Southeast Asia through extensive capital and technical assistance. Japan was, in his view, to appear on the Asian scene not as a political power but as a commercial-industrial power.

India naturally loomed large in the thinking of the Japanese leadership in view of its size and political stability. Hence an effort was made to establish contacts at the highest level. The Prime Minister of Japan visited India in May 1957, and this was reciprocated by a similar visit to Japan by the Indian Prime Minister in October 1957. These visits gave an opportunity to the leaders of the two countries to understand each other's policies and exchange views on the most important problems of the day. Both sides showed concern for the preservation of world peace and the cessation of nuclear tests; no reference was made to any specific political problems of immediate interest to them. The emphasis, in discussing bilateral relations, was mostly on the need to strengthen cultural relations between the two countries and to encourage mutual visits by professors, students, scientists, and artists. The Japanese side promised assistance in establishing technical training centres for the promotion of medium- and small-scale industries and also financial help in the implementation of India's Second Five-Year Plan.

Economic Relations

Mutual appreciation of the economic opportunities offered by each to the other and a desire to exploit these opportunities brought India and Japan closer together in the late fifties. This was the time when Japan's economy was undergoing a rapid structural change in response to the changing economic needs of nations which had won freedom from imperialistic domination. Its economy had passed from the stage of rehabilitation and reconstruction to that of rapid expansion. Its industries were looking for markets and for sources of raw materials. Japanese economic planners and leaders, therefore, gave high priority to India in view of its potentialities as a growing economy. India was then about to pass from the First Five-Year Plan period to the Second Five-Year Plan period. Since the accent in the Second Plan was on rapid industrialisation of the country, India needed a large quantity of heavy equipment and machinery of different kinds; but its earnings from exports were insufficient to pay for these imports. Its foreign exchange reserves had dwindled. It appeared that without external assistance India's economy would not be able to pull through the crisis. Along with other advanced countries of the world Japan, with its newly acquired economic capacity, showed a willingness to help India in tackling its economic problems. Japanese industrial and financial

circles realised that India could become a promising partner in trade and commerce only if it were helped to maintain a steady rate of economic growth.

Indo-Japanese economic relations fall into the categories of aid, technical assistance, and trade.

(a) AID

Japan began to extend financial assistance to India in the form of government-to-government credit in February 1958 when the Indo-Japanese agreement on the first Yen Credit was signed. The value of the credit was Rs. 238 Million or Yen 18 billion (pre-devaluation exchange rate). It was intended to enable India to import capital goods and machinery from Japan. This was followed by the extension of four more credits. In all, as of March 1966, India had received five Yen Credits worth Rs. 1,571.4 million or Yen 118.8 billion (see Table 4.1). These credits have been used to

TABLE 4.1 Japanese Yen Credits to India, March 1966

| | |
|-------------------|------------------------------------------------|
| First Yen Credit | Rs. 238.1 million (Yen 18 billion) |
| Second Yen Credit | Rs. 452.4 million (Yen 34.2 billion) |
| Third Yen Credit | Rs. 309.5 million (Yen 23.4 billion) |
| Fourth Yen Credit | Rs. 285.7 million (Yen 21.6 billion) |
| Fifth Yen Credit | Rs. 285.7 million (Yen 21.6 billion) |
| Total | Rs. 1,571.4 million (Yen 118.8 billion) |

Note: One rupee is equivalent to \$US 0.133. To the above amount must be added a sixth Yen Credit valued at \$42.4 million and deferment of debts valued at \$2.5 million. Japan has also given an emergency credit worth \$7 million to help India tide over its food crisis.

finance some major public sector projects like the Gorakhpur Fertiliser Factory and the Durgapur Alloy and Special Steel Plant as well as to import Japanese plants, machinery, and commodities (see Table 4.2).

Japan's aid policy seems rather conservative, and the size and scale of its financial contribution to India's economic development cannot be compared with those of the United States, the Soviet Union, West Germany and Britain. Apart from its general policy of not entering into competitive aid-giving, Japan perhaps thinks that no tangible political stakes are involved in India to induce Japan to come forward to help it in a big way. Further, the Japanese tend to look at aid purely from a commercial angle and treat the extension of financial assistance as a necessary means of boosting their country's exports and publicising their techniques. There is no sense of participation in the Japanese effort, and often one gets the feel-

TABLE 4.2 Projects Financed by Yen Credits under the Third Five-Year Plan
(in million rupees)

| | 2nd Yen Credit | 3rd Yen Credit | 4th Yen Credit | 5th Yen Credit |
|---------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| 1. Gorakhpur Fertiliser Project | 74·83 | 36·24 | 13·81 | 6·19 |
| 2. Durgapur Power Station (Boiler) | 19·03 | — | — | — |
| 3. Kosi Power Project | 6·37 | — | — | — |
| 4. Durgapur Alloy and Special Steel Plant | 73·41 | 76·58 | 43·33 | 11·43 |
| 5. Pandurangiah Alloy and Tool Steel Plant | — | 10·00 | 12·86 | — |
| 6. Kuttiadi Hydro-electric Project | — | 4·20 | — | — |
| 7. Gujarat Fertiliser Project | — | 38·10 | 35·71 | 48·12 |
| 8. Ball and Roller-bearing Plant of Andhra Pradesh Industrial Development Corporation | — | — | 17·39 | — |
| 9. Equipment for Gauhati, Umiam, Gandak, and Jaldhaka Power Projects | — | — | 19·44 | — |
| 10. P.S. Ball-bearing Plants | — | — | 7·04 | — |
| 11. Plant and machinery for Dhrangadhra Chemical Works | — | — | 3·91 | — |
| 12. Barsua Beneficiation Plant | — | — | 8·68 | 0·39 |
| 13. Oriental Power Cable Co. Cable Plant | — | — | 4·52 | — |
| 14. A.I.R. Transmitters | — | — | — | 8·52 |
| <i>Plants, Machinery, and Commodities</i> | | | | |
| 1. Plant and machinery, cranes, machine tools, equipment, etc. | 90·98 | 70·82 | 65·71 | 59·50 |
| 2. Locomotives, wheel-sets, and other equipment for railways | 75·70 | 17·84 | 11·90 | 23·80 |
| 3. Components for manufacture of trucks and tractors | 51·55 | 23·80 | 19·04 | 19·04 |
| 4. Insulators, rolls, and power tillers | 58·99 | 14·17 | 12·86 | 14·30 |
| 5. National Small Scale Corporation Ltd | 1·52 | 2·07 | 4·76 | 4·76 |
| 6. Spare parts, components, and other materials for Indo-Japanese ventures | — | 293·82 | 285·72 | 207·96 |

Source: Government of India, Ministry of Finance, Department of Economic Affairs, *External Assistance, 1965-66* (New Delhi, 1966), p. 54.

ing that they regard their aid program merely as something which is intended to bring prestige and status to their nation. One of the chief difficulties involved in Japanese loans to India is that they are generally tied to Japanese goods and services. Often this involves the payment of a higher price than the world market price. Looking at the problem from the Japanese side, Japan considers it better to distribute its limited funds over as many countries as possible and regards large-scale commitments to a country which has failed to show a good record as unwise and uneconomic. Considering itself to be a poor and have-not nation *vis-à-vis* the more affluent nations of the world, Japan fears that, as matters stand, India may not be in a position to repay its debts.

On the whole, however, Japan's aid program to India is significant. India is one of the very few countries in Asia which the Japanese have chosen for substantial assistance. The terms attached to Japanese credits have also changed, but still they are not more favourable than the terms attached by other countries. More than the terms, it is the manner in which Japan distributes its credits on various projects that India complains about.

Direct loans apart, Japan has also given a number of suppliers' credits to Indian importers of capital goods like textile machinery, rayon plant, and other equipment from Japan.

(b) TECHNICAL COLLABORATION

1. Japanese technical help to India is prominent in industry, agriculture, and fisheries. Modern technical know-how in these fields was acquired by Japan while struggling against problems similar to those faced by India today, namely limited financial resources, poor communications, and a relatively large population. But the temptation to go after big projects was avoided, and technical skills were acquired through small-scale or medium-scale projects. Japan wants to transmit its experience in industrialisation through technical collaboration in a number of industrial ventures. They include projects both in the public and private sectors. Among the important public sector enterprises established in collaboration with Japan are a watch factory at Hindustan Machine Tools (Bangalore), a shipyard (Cochin), an alloy-steel plant (Durgapur), and a fertiliser factory (Gorakhpur). Japanese technical assistance in the private sector covers a fairly wide range of enterprises like bicycle spokes, camera lenses, clinical thermometers, electric motors, fertilisers, fishing nets, glass syringes, heavy transformers, railway signalling equipment, steel wire, and sheet glass. In most of these ventures Japanese participation is confined to the provision of technical know-how with very little financial commitment. Between 1957 and December 1966, the government of India had approved 221 cases of collaboration between Indian and Japanese firms. These included both financial participation and technical assistance.

Japan's technical assistance program also includes the provision of training facilities for Indians in Japan under various bilateral and multilateral arrangements like the Colombo Plan and the International Co-operation Administration. It also envisages the despatch of Japanese technical experts to work in India. In general, Japanese technical methods and skills have created a favourable impression in India, and there is a growing realisation that Japanese projects are less expensive and their technical methods simpler.

2. In view of the world-wide reputation of Japanese agricultural methods and techniques, a number of attempts have been made

since 1953-4 to introduce them in India. In 1957 the Bihar State government invited four Japanese farmers to visit Bihar and cooperate with provincial agricultural officers in disseminating advanced agricultural techniques. Later, these farmers moved to Sarona in Saharanpur district, Uttar Pradesh, where, on a 3-acre plot, they tried the Japanese method of paddy cultivation. By employing superior techniques they were able to obtain 33·9 maunds¹ per acre and 40·23 maunds respectively in the first and second crop seasons for 1959. In 1960-1 the yields were 51·9 and 49·5 maunds per acre. This was much higher than the average yield of 20 maunds per acre obtained by the local farmers.

The success of the Saharanpur experiment and the popularity of the Japanese method of paddy cultivation among Indian farmers led the Japanese government to suggest to the Indian government a plan to set up model farms as centres of training and demonstration with the help of Japanese farm experts. The plan was accepted in view of the need to boost food production in India and spread intensive agricultural methods. An agreement was signed on 28 April 1962 to put the scheme into operation. Four centres were chosen for setting up demonstration farms where the latest agricultural techniques were employed. Provision was made on these farms to train Indian farmers in advanced techniques like multiple crop raising, intensive cultivation, and the application of chemical fertilisers. The Japanese government paid the travel expenses of the farmers from Japan and supplied a set of agricultural implements to be used on these farms. The results obtained on these farms are given in Table 4.3. The initial agreement was valid for three years, that is up to April 1965. It was later extended by two more years. By March 1966 nearly eight hundred Indian farmers had received training on these farms.

TABLE 4.3 Per Acre Yield on Indo-Japanese Demonstration Farms

| Farm | State | Area (acres) | Per acre 1962 | Yield 1963 |
|----------|------------------------------|-----------------|------------------|---------------|
| Rangghat | West Bengal (Nadia District) | 25·0 | 22·0 | 32·5 |
| Arrah | Bihar (Shahabad District) | 10·0 | 36·67 | 26·7 |
| Chakuli | Orissa (Sambalpur District) | 10·0 | 26·60 | 43·7 |
| Vyara | Sajarat (Surat District) | 13·5 | 38·0 | 44·41 |

The results obtained on these farms and the favourable reports received from various quarters led to the conclusion of another agreement on 17 December 1964. By the terms of this agreement four new demonstration farms—one each in Andhra Pradesh, Kerala,

¹ A maund is roughly equivalent to 82 lb.

Maharashtra, and Mysore—were set up. Sixteen Japanese experts in farming were sent to India in March 1965. More recently a private Japanese organisation calling itself the Organization for Industrial, Spiritual and Cultural Advancement (OISCA) sent six groups of Japanese workers to help India meet its food crisis by raising more crops, and to train Indian farmers in water-management practices and mechanisation operations on small farms.

Apart from direct assistance in the form of lending the services of farm experts, Japan also gives indirect assistance to Indian agriculture in the form of technical collaboration or financial support in the production of agricultural equipment, fertilisers, and chemicals. Two of the major fertiliser projects supported by Japan are in the public sector. In the field of equipment, Japanese assistance is confined to the production of power-tillers and accessories.

3. By the terms of the Indo-Japanese Agreement on Marine Products Processing Training Centre, signed on 31 March 1962, Japan established a fisheries centre at Mangalore, Mysore State, and provided machinery, equipment, and the services of experts. The main idea behind this project is to conserve and increase fisheries resources in India's coastal waters. Besides, Japanese assistance has been sought for the establishment of a base for shrimp trawlers at Cochin (Kerala), cold storage and canning plants, and fishnet-making centres.

(c) TRADE

The expansion of trade between India and Japan in recent years is one of the important aspects of their economic relations. Here again the financial assistance given by Japan is of considerable importance. Trade between India and Japan is governed by the Indo-Japanese Trade Agreement signed in February 1958. By the terms of this agreement the signatories grant MFN treatment to each other in the matter of business activities (including those of state bodies), trade, tariffs, shipping, and navigation. This was the first comprehensive trade agreement between India and Japan after the war. Following this, India withdrew the application of Article XXXV of the General Agreement on Tariffs and Trade (GATT) to Japanese goods in October of the same year and thus became the first Commonwealth country to liberalise trade with Japan.

The commodity pattern of Indo-Japanese trade has gradually followed and reflected the structural changes in the economies of the two countries. Japan's early start in the path of modernisation and industrialisation has given it an edge over India, and the gap in economic development between the two countries has produced commercial relations of a complementary character, though there

are some fields in which they are competitive. As India moved into fields in which Japan had already specialised, the latter moved into newer and more sophisticated fields and thus maintained the gap. In the pre-war days, more than 50 per cent of Japanese exports to India consisted of textile products, whereas nearly four-fifths of Indian exports to Japan consisted of raw cotton and cotton waste. The rise of the Indian textile industry gradually pushed out Japanese textiles from the Indian market. Meanwhile the beginning of planned economic development had created a steadily increasing demand for capital goods of all kinds. This synchronised with the structural change which was taking place in Japanese industry. Japan had developed a capacity to offer iron and steel products, machinery, and rolling stock in the place of textiles and take in turn metallic and mineral ores from India. Japan's emergence as one of the leading suppliers of capital goods to India tilted the balance of trade in the former's favour. Although India's intake of Japanese machinery, rolling stock, and other capital goods has steadily increased, its exports of raw cotton, jute, and tea have failed to record the same expansion (see Tables 4.4, 4.5, and 4.6).

TABLE 4.4 India's Trade with Japan
(in lakhs of rupees)

| Year | Imports | Exports | Balance of trade |
|---------|---------|---------|------------------|
| 1956-57 | 47,89 | 29,38 | -18,51 |
| 1957-58 | 50,77 | 23,71 | -27,06 |
| 1958-59 | 41,89 | 29,38 | -13,51 |
| 1959-60 | 38,50 | 34,92 | - 3,58 |
| 1960-61 | 60,78 | 35,27 | -25,51 |
| 1961-62 | 58,61 | 40,33 | -18,28 |
| 1962-63 | 62,75 | 34,03 | -28,72 |
| 1963-64 | 65,87 | 58,85 | - 7,02 |
| 1964-65 | 77,33 | 60,16 | -17,17 |
| 1965-66 | 79,19 | 56,98 | -22,21 |

Source: Government of India, Ministry of Commerce, Directorate of Commercial Publicity, *Journal of Industry and Trade*, vol. 17, no. 3, March 1967, p. 328.

A special feature of Indo-Japanese trade is the importance of trade in metallic ores. Since 1959 India has emerged as one of the leading suppliers of a number of mineral ores to Japan, and these constitute nearly 40 per cent of its total exports to Japan. Mica, salt, manganese, and iron ore account for nearly 90 per cent of the total value of ore exports from India to Japan. Japan's intake of Indian manganese and iron ores has steadily increased since 1957. Under a number of agreements between the Minerals and Metals

TABLE 4.5 Important Imports from Japan
(in lakhs of rupees)

| | 1961-2 | 1962-3 | 1963-4 | 1964-5 | 1965-6 |
|---------------------------------------------------|--------|--------|--------|--------|--------|
| Wool tops | 115 | 104 | 55 | 63 | 1 |
| Synthetic fibre | 1 | 26 | 198 | 50 | 66 |
| Chemical elements and compounds | 198 | 226 | 199 | 285 | 206 |
| Dyeing, tanning, and colouring materials | 81 | 68 | 34 | 38 | 24 |
| Fertiliser manufactured | 173 | 189 | 656 | 409 | 480 |
| Synthetic plastic material in primary form | 54 | 75 | 48 | 80 | 91 |
| Paper and paper board | 53 | 47 | 46 | 67 | 61 |
| Yarn and thread of synthetic fibre and spun glass | 185 | 143 | 137 | 198 | 167 |
| Iron and steel | 1,955 | 1,038 | 1,676 | 2,573 | 1,906 |
| Manufactures of metals | 54 | 33 | 41 | 40 | 86 |
| Machinery | 2,126 | 1,716 | 2,011 | 3,075 | 2,986 |
| Mining, construction and industrial machinery | 1,054 | 1,045 | 751 | 1,602 | 1,884 |
| Electrical machinery, apparatuses and appliances | 894 | 567 | 1,060 | 976 | 884 |
| Transport equipment | 318 | 592 | 335 | 349 | 753 |
| Defence stores: all sorts | 99 | 507 | 370 | negl. | 339 |

Source: Office of the Economic Adviser to the Government of India, *India's Foreign Trade Statistics with Special Reference to Asian Countries* (New Delhi), vol. 12, pt 4, Feb. 1967, pp. 19-21.

TABLE 4.6 Important Export Items from India to Japan
(in lakhs of rupees)

| | 1961-2 | 1962-3 | 1963-4 | 1964-5 | 1965-6 |
|-------------------------------|--------|--------|--------|--------|--------|
| Animal casing | 33 | 63 | 59 | 50 | 78 |
| Sugar, exclusive of molasses | — | 89 | 401 | 484 | — |
| Oil cakes | 14 | 41 | 267 | 116 | 54 |
| Tobacco | 12 | 11 | 54 | 118 | 39 |
| Wood in the round | 13 | 17 | 29 | 63 | 49 |
| Cotton, raw | 1,083 | 1,016 | 989 | 854 | 840 |
| Cotton waste | 27 | 36 | 23 | 21 | 13 |
| Salt | 4 | 20 | 21 | 33 | 20 |
| Mica | 141 | 144 | 108 | 127 | 105 |
| Iron ore concentrates* | 1,957 | 2,019 | 2,395 | 2,447 | 2,996 |
| Iron and steel scrap | 616 | 196 | 488 | 560 | 532 |
| Zinc ore and concentrates | 30 | 24 | 29 | 40 | 12 |
| Manganese ore | 291 | 145 | 269 | 374 | 247 |
| Vegetable oil (non-essential) | 14 | 27 | 22 | 39 | 22 |
| Essential oils | 49 | 29 | 27 | 27 | 16 |
| Leather | 132 | 135 | 164 | 162 | 127 |

* Including estimated exports from Goa.

Source: Office of the Economic Adviser to the Government of India, *India's Foreign Trade Statistics with Special Reference to Asian Countries* (New Delhi), vol. 12, pt 4, Feb. 1967, pp. 21-4.

Trading Corporation of India and Japanese steel-makers, Japan has agreed to buy substantial quantities of Indian ore over a long period. At present, India's iron-ore exports to Japan are of the order of 8 million tons every year, and by 1970 the quantity is expected to be doubled with the development of new iron-ore mines. But the prospects for larger iron-ore exports seem to be very poor in view of inadequate loading facilities in Indian harbours, transport bottlenecks, and strikes by workers in dockyards. Already India's position seems threatened by the emergence of new competitors like Australia, Brazil, and the Soviet Union, and by India's failure to maintain shipping schedules. Purely non-economic considerations (as, for example, the need to supply a regular quota of iron ore to the Japanese-built steel mill at Chittagong in East Pakistan) may compel Japan to maintain its present level of demand for Indian iron ore.

Recent Trends in Indo-Japanese Relations

The goal of Indian diplomacy in Asia, until the fateful events of October-November 1962, was to preserve the goodwill and friendship of Communist China. Hence a good part of India's diplomatic talent was devoted to championing the cause of China in the councils of the world and to explaining its intentions. Relations with other countries in Asia—countries whose capacity to influence the course of events in Asia is as significant as that of China—were given only marginal importance in foreign policy calculations and priorities in Asia. This created a feeling in other Asian nations that they were being neglected or ignored. The consequences of such a policy became only too clear at the time of the India-China border conflict.

Japan was one of the many Asian-African countries which chose to remain neutral in the India-China border conflict. Neither the close economic bonds with India nor the professed affinity with the countries of the free world were strong enough to induce Japan to support India. India's appeal for friendly support got only an expression of sympathy from Japan. Behind the cautious and equivocal mood of Japan one could visualise its anxiety to preserve intact its expanding commercial ties with China. Equally important in this context was the fact that India had not paid any special attention to cultivating purposeful political contacts with Japan.

The events of October-November 1962 and the changing pattern of relations among nations brought a touch of realism to India's diplomatic posture. The shift to a less doctrinaire and more flexible position brought an awareness of the importance and desirability of keeping channels of communication with a number of smaller, but influential, nations. Japan has, in the light of this new trend,

become very important in India's diplomatic thinking. Its growing status in the world today is better appreciated and consequently there is a willingness to co-operate with it.

The existence of close economic ties has provided the basis for both India and Japan to discuss ways and means of promoting long-term friendship and understanding as well as to work out arrangements for co-ordinating their views. They have agreed to hold high-level consultations at regular intervals on problems of a general nature in much the same way that Japan now holds regular consultations with countries like France, West Germany, and Britain. The representatives of the two countries have already met twice and discussed problems like world peace, disarmament, the nuclear test ban and closer economic co-operation with other countries of Asia. On the eve of the abortive second Asian-African Conference which was to have been held at Algiers, the two countries maintained regular contacts in order to work out a common approach to the conference. They held slightly different views on the question of Soviet participation in the conference, but were agreed that the conference should only stress the desire of Asian countries for peace and avoid getting embroiled in controversial political disputes. Similarly, on the question of the nuclear non-proliferation treaty the two countries exchanged views on several occasions, and it seemed at one stage that they had come to an understanding on this. More recently, however, it has become known that their views are quite different. While India stresses the need of a guarantee for non-nuclear nations against attack by a nuclear power, Japan has been stressing the right of the non-nuclear nations to pursue peaceful nuclear research. The Japanese position is nearer to the West German than to the Indian.

Whether India and Japan can come closer to one another depends not so much on whether they agree or disagree on worldwide problems as on their willingness to discuss specific and immediate problems which affect them: the Kashmir problem for India, Kuriles for Japan, and the challenge of China for both. It is quite meaningless to talk of Indo-Japanese understanding without going into the question of whether they can support each other on these problems. For example, will India be able to support Japanese claims over the Kuriles? Will Japan support India on Kashmir? Will they both be able to work out a common policy to meet the Chinese challenge in Asia? The answers to these questions depend not so much on the relations between India and Japan as on their relations with others. Thus, it would be difficult to visualise any Indian government staking its friendship with the Soviet Union by supporting Japan's territorial claims against it. Similarly, no Japanese government would run the risk of endangering the alliance with the

United States and the West by extending support to India on the Kashmir question.

The point, however, is that a dialogue has begun between the two countries, and this indicates that they have realised that principles and attitudes which were once valid are irrelevant in the context of recent developments. For India non-alignment is no longer incompatible with close relations with countries like France, West Germany, and Japan, all of which are aligned with the United States but are slowly becoming new forces in the world in their own right. There was a time when any form of political contact with an aligned country was anathema to India; this is no longer the situation. Similarly, Japan realises that an overtly anti-communist or anti-neutralist stand will not help in winning friends and influencing people. Hence its interest in countries like India and Indonesia. That Japan's interest in these countries might be for purely commercial reasons is quite another point.

India, China, and Japan

The problem which is of immediate interest to both India and Japan and which is also likely to affect peace and stability in Asia is the challenge posed by China. It is in this context that future Indo-Japanese relations become highly relevant. From the point of view of effectively neutralising Chinese influence in Asia, a long-term understanding between India and Japan is a desirable political goal; this would give confidence to smaller nations which feel threatened by China. It is certainly not possible to think of matching China's growing power in Asia without some form of willing co-operation between India and Japan. But the question is: on what basis can this co-operation be established and what form should it take? The idea of military co-operation is not practicable in view of India's steadily declining ability to play a big enough role in world affairs as a result of its ineffectual leadership and its deteriorating economy. With its poor economic strength and a host of domestic problems, India would not be in a position to discharge fully and effectively any responsibility which it may have to share in such an arrangement. India simply does not possess the capacity to assume any military responsibilities at present beyond the defence of its own borders. Japan has developed the necessary capacity to take some military burden in her neighbourhood but is not willing to do so because of a number of factors. The fear that any military role by Japan may give rise to provocation and distrust, and the disinclination to join any military arrangement to contain or encircle China, act as strong disincentives for assuming military responsibility in East and Southeast Asia. Japan is aligned already with the United States, but it does not necessarily follow from this that it is

also committed to an anti-Chinese policy. Nor can it be deduced that it is ideologically committed to the defence of 'freedom and democracy'. Japan's alliance with the U.S. has only one objective, namely to protect itself against a possible threat to its security from across the continent. It has a practical, and not an ideological, content.

It is important to avoid the error of exaggerating Japan-China differences and believe that Japan can be easily drawn into an Asian alliance to fight against China. To be sure, Japan, like India, has some difficulties with China, but it tends to play them down and stress only its cultural, linguistic, and geographical nearness to China. Even if this affinity did not exist, it is doubtful that even from a practical point of view Japan would be prepared to solve its difficulties with China by forming an anti-Chinese military alliance. The growth of Chinese nuclear power has no doubt created a sense of danger, but the threat to Japan's security is not felt as acutely as by India and others. If the Japanese do not openly speak of the threat from China, it is not entirely because of their desire to preserve economic and trade relations with China; they are also aware that their country has the necessary technological and economic means to meet any Chinese threat to their security. Though not a nuclear power yet, Japan has considerable lead over China in scientific and technological skills; and it has also a stronger base of heavy industries than China's. Should it be compelled to do so, it can develop enough nuclear strength to balance China's power within a short time.

Short of military co-operation, what is possible is an effort to employ non-military means to safeguard the integrity and independence of China's smaller neighbours. A combination of India's human and material resources with Japan's technical skills can provide a basis for an effective joint Indo-Japanese role in South and South-east Asia. Here again, the process is bound to be slow, especially in view of India's declining prestige as a result of economic difficulties. There has already been an erosion of Japanese confidence in India which has cast a shadow of doubt on the future of Indo-Japanese co-operation. And unless there is a better performance by India in developing both its economic and military strength, it is certainly not going to be easy to convince Japan that co-operation with India is worth while. The emergence of a strong India in Asia is bound to lead Japan to reconsider its position in relation to India.

In this context it is also relevant to note the Japanese fear of competition from India in Southeast Asia. While common security interests in this area tend to work in favour of greater Indo-Japanese co-operation, conflicting economic interests tend to work against it. Because of this, it is just possible that India may be deliberately

excluded from certain plans and schemes which the Japanese may have in mind for the future of Asia. For instance, India was excluded from the Conference of Ministers of Economic Development of Southeast Asian countries convened at Japan's initiative in 1966. Similarly, India may also be excluded from the proposed Organization for Pacific Economic Co-operation (OPEC), although Australia is said to be keen on getting both India and Pakistan into it.

This brings us to the question of orientation and attitudes. For historical and political reasons, India and Japan look in different directions more than towards each other. Just as the long colonial association with Britain produced in India a Europe-centred outlook in the years after independence, so has the association with the United States during the period of Occupation produced in Japan a U.S.-centred outlook. Neither country has the historical experience of having co-operated with another Asian country on the basis of equality. Until now Japan has taken pride in claiming that it is one of the 'three pillars of the free world' (the other two being Western Europe and the United States) and its leaders have laid stress on Japan's global rather than Asian role. The late Prime Minister Hayato Ikeda once said that his country's orientation was basically towards non-Asian countries. He said that his country was prepared to join any arrangement in which Australia, Canada, and the United States were included. It is the trade aspect that the Japanese leaders have in mind when they talk of co-operation with Asian countries in general.

Nor has India's attitude been encouraging. Until recently its attitude to Japan was one of indifference; one of its major preoccupations was to plead the cause of Communist China and seek legitimacy for the Communist régime. Japan did not come into the picture at all (India's non-alignment policy was evolved in the context of India's relations with the big and Super Powers and therefore it did not take into account relations with smaller, but potentially great, powers). At one stage there was even a tendency to play down Japan's tremendous economic achievement and dismiss it as cheap material success. Only in the last two or three years has there been an awareness that, after all, material success does mean something in this world.

This change of attitude has resulted from experience. It remains to be seen whether the changed attitude will last or whether it will undergo further change with time according to the needs of the two countries.

This paper was discussed together with the following two: the report of discussion appears on pp. 86-9.

Australia and Japan

D. C. S. Sissons

Traditionally Australia has looked with fear and hostility on any militant, expansionist powers capable of threatening the *status quo* in the Pacific. Since the first European settlement in this continent she has armed herself against France, Russia, Germany, Japan, and China.

Fear of Japan began to manifest itself at the time of the Japanese victories in the Sino-Japanese War of 1894-5. An editorial of that day reads:

The marvellous uprush of the Japanese Power has created no small uneasiness in these colonies. It is tolerably certain that, were Japan to turn her naval arm against what lies in Australian waters, we should go down against her.¹

The Japanese victories in the Russo-Japanese War of 1904-5 nourished such fears. It was on 12 June 1905, three weeks after the battle of Tsushima, that Alfred Deakin, shortly to become Prime Minister, made his famous statement on 'The Defence of Australia': 'Japan at her head-quarters is, so to speak, next door while the Mother Country is many streets away'; as a result of the Russo-Japanese War 'instead of two fleets in the China seas belonging to separate—even opposing—powers, we shall have one fleet, only it will be as strong as the two former fleets'. For the next forty-five years fear of Japan was a major factor in Australian thinking about defence and foreign affairs until it was supplanted by fear of Communist China. Sometimes this fear was unsophisticated—based on the assumption that the Japanese were planning to capture Australia. This was an assumption that few Australians bothered to examine, for it was a period of immature nationalism. To the young immigrant or first generation Australian-born, Australia was the promised land: obviously it must appear so to the Japanese also. Until its dramatic fall in the 1950s the Japanese birthrate was re-

¹ *Courier* (Brisbane), 30 Nov. 1895.

garded as pressing Japan in the direction of overseas expansion to secure living room for her increasing population. The establishment of a very large Japanese population in Hawaii lent colour to this fear. At other times fear of Japan was more sophisticated: even though Australia might not be the object of Japanese ambitions, if Japan were to occupy parts of Southeast Asia, she would attempt to occupy Australia to secure her flanks.

But hostility to Japan was not solely the product of fear. It was also influenced by our feelings as Britishers. In those days it was natural for us to regard ourselves, not as the Australian community, but as part of the British community. The people of Manchester were our kinsmen. When in the 1930s Japanese textiles became a threat to Manchester many of us regarded them as *ipso facto* a threat to ourselves.

Now all this has changed. Most Australians feel that Japan is unlikely again to become a military threat in Southeast Asia as long as Communist China is strong, that is for the foreseeable future. We no longer regard ourselves and the people of Britain as members of the same state: if Japan can undersell Manchester that is Manchester's funeral, and Manchester's funeral is not ours.

In today's situation the powers that most Australians fear are Communist China and Indonesia—both potentially expansionist, both authoritarian. Most Australians would agree that for us the appropriate defence and foreign policy is to ensure that neither extends its power in our direction. The means that we have used and are now using in our efforts to ensure this are: (i) to promise threatened states military assistance against attack and to make good the promise where attack takes place; (ii) through economic aid to assist the countries of Southeast Asia to establish economies that will provide the community with the strength that attends prosperity.

Where does Japan fit into this picture?

In the first place it was largely in terms of rebuilding Japan so that she could resist Communist aggression and internal subversion that Australia eventually came around to accepting the non-restrictive Peace Treaty with Japan sponsored by the United States. As our then Minister for External Affairs put it when defending the draft treaty in Parliament (6 February 1952): 'The immediate problem we have to consider . . . is the security of Japan, even more than the security against Japan'. The spectre of Japan's resources at the disposal of China or the Communist bloc was disquieting.

Now, fifteen years after the Peace Treaty, what role do Australians hope Japan will play in our Asian policy?

Apparently some of our defence planners expect that Japan will play a significant part in the physical containment of Communist

China. They made use of the visit to Australia by the British Minister for Defence early in 1966 and his warnings of the British withdrawal from Southeast Asia to fly a *ballon d'essai* in this direction. The following is a report from the *Canberra Times* (4 February 1966):

Australian defence planners envisage Japan and India joining with the Allies to contain Communist China in the 1970s.

It was learned yesterday that Australia is making determined efforts to develop closer ties with the two countries, which may include their contributions to the security of S.E. Asia.

Defence experts are eager to see the vast economic and industrial power of Japan harnessed to India's overflow population to complete the containment ring around China.

An Indo-Japan contribution to future security alliances—probably the collective allied proposal put forward by the British Defence Minister, Mr Healey at the Canberra talks, would have even more significance.

The Allied Governments see the inclusion of these two Asian leaders shattering the charge that future defence arrangements will be a 'white man's club' designed to contain the yellow men of Asia.

Australia believes India and Japan are gradually warming to the collective allied effort because of China's aggression and her increasingly bellicose stances.

The defence planners said the 1970s are potentially the watershed of allied defensive alliances because: this is the period covered by the British Defence Review to be published in London this month; 1970 is the date for the renewal of the U.S.-Japan Security treaty of cooperation.

Allied officials say the factors holding up inclusion of the two Asian nations are India's continued claims of non-alignment and Japanese self-interest in concentrating solely on her industrial build-up.

Pacific defence experts believe the time is rapidly coming when Japan will have to emerge from her post-war cocoon and take her share in the security of the region.

The 'Australian defence planner' who thought along these lines does not appear to have been a figment of the *Canberra Times's* imagination. That paper's competitor, the *Australian*, carried a similar report on the same day.

Even if the 'defence planner' in question had been the Chief of the General Staff himself, too much significance should not be given to this attitude. In comparison with the Department of External Affairs, the Department of Defence has a minor voice in the formulation of Australian foreign policy. Traditionally the Minister for External Affairs has more prestige in Cabinet than the Minister for Defence, and even in the Defence and Foreign Affairs Committee of Cabinet the Minister for Defence is only one minister among several. Even within the Defence Department itself its views on foreign

affairs do not pass unchallenged. The Secretaries of the two civilian departments of state that are interested in foreign policy—the Department of External Affairs and the Prime Minister's Department—are members of the top policy-formulating body, the Defence Committee; there is a Department of External Affairs officer on the Joint [Service] Planning Committee; the Joint [Service] Intelligence Committee is chaired by an officer of the Department of External Affairs.

The important question, then, is whether the view of the potentialities of Japan taken by the Minister for External Affairs is the same as that attributed by the Press to 'defence planners'.

As reported in the *Age* (30 March 1967), the Minister (Mr Hasluck), on a visit to Tokyo, stressed 'the important role Australia and Japan as advanced nations could play in the development of a peaceful, progressive Asia, not dominated by China'. He is also reported to have remarked during the same visit that he and the former Australian Prime Minister, Sir Robert Menzies, had often expounded the view that 'when one is looking at Asia you see a great tripod—India, Australia and Japan'.² But there has never been any suggestion in any of his statements or those of officers of his Department that even in the remote future they hope for any military contribution by Japan in the containment of China. I have come upon nothing which indicates that, so far as the Department of External Affairs is concerned, anything more is expected in our relations with Japan than is suggested by the following statement by the Minister.

The remarkable growth in trade between Japan and Australia over recent years and the role this has played in drawing our two countries closer together is well known. Perhaps not so well known but equally significant is the growth which has taken place quietly but steadily in the degree of cooperation between Japan and Australia in the field of world affairs. There is a constant exchange of views between our two Governments on matters of common concern, not only in Tokyo and in Canberra but also in many international meeting places throughout the world. We in Australia place a great deal of value on this exchange and are most anxious that it should be broadened and deepened.³

The purpose of our present discussions, however, is to look into the future rather than to describe the present and the past. Hence we are more concerned with the undisclosed visions of our policy-makers than their statements. If ever they get the leisure to turn their minds away from day-to-day problems, how do they see our political relationship with Japan in, say, 1975?

² *Age*, 5 April 1967.

³ *Age*, 29 Mar. 1967.

My experience of members of our Department of External Affairs is that they are reasonable, well-informed men. This being the case, I do not see their envisaging Japan's playing a more positive role than at present in collective defence. I should imagine that to them, as to me, Herbert Passin's picture of Japan in 1975 is difficult to fault.⁴

Passin predicts on the basis of the steady erosion of Liberal-Democratic votes that has taken place at succeeding Japanese elections that the Liberal-Democrats will by then have lost their absolute majority in the Diet. On the basis of this he postulates three possible scenarios of which the best from the standpoint of present American policies is a coalition between the Liberal-Democrats and the Kōmeitō (Sōkagakkai). In this case, Japan would probably remain in the general Western camp, and the special relation with the United States, however attenuated by comparison with the past, would probably continue. Nevertheless, this would not exclude much closer relations with the communist world, the recognition of China, and a widespread loosening of the Security Treaty structure'.⁵ Passin predicts that, whatever the government in power, it will recognise Communist China. He suggests that when the present Security Treaty (subject to revocation after June 1970) comes up for discussion in 1969 the Japanese may well 'damp down mutual security arrangements to levels unacceptable to American policy'.⁶ As regards the long-term military situation, he predicts that, even though the confrontation with Communist China that would follow on American withdrawal from Japan and Okinawa would strengthen the demand in Japan for a larger defence establishment (including perhaps a nuclear capacity), nevertheless 'the counter-forces of pacifism, fear of military revival, and support of the Constitution will . . . remain . . . strong enough . . . to hamper what Americans would regard as a realistic reconsideration of the defense issue'.⁷

If, then, those who formulate Australia's foreign policy can hardly see Japan as playing a more positive role in collective defence, what other hopes have they of her?

Obviously they hope to see Japan as a vital source of economic aid to the developing countries of Southeast Asia. Japan's economic aid for 1965, calculated on the DAC basis, amounted to the equivalent of \$US 485.6 million or 0.74 per cent of her national income. Japan's national income is at present about three and a half times

⁴ H. Passin (ed.), *The United States and Japan* (Prentice-Hall for the American Assembly, 1966), pp. 142-61.

⁵ *Ibid.*, p. 151.

⁶ *Ibid.*, pp. 155, 159.

⁷ *Ibid.*, p. 156.

that of Australia and is growing at a faster rate than Australia's. In 1965 67.7 per cent of Japan's economic aid went to Asia and this concentration of her aid in Asia can be expected to continue. Japan has accepted in principle the OECD recommendation that members should endeavour to devote 1 per cent of their national income to economic aid.

But in itself Japan's importance as a source of economic aid to Asia would hardly explain, to use Hasluck's words, 'the constant exchange of views between our two Governments on matters of common concern, not only in Tokyo and in Canberra but also in many international meeting places throughout the world'.

To me a sufficient explanation would be that we realise that Japan shares many of our basic problems. She too depends on the U.S. for her defence. There are, however, several countries in Asia and the Pacific that have this in common with us. What distinguishes both of us from Taiwan, South Korea and South Viet Nam is that we are essentially *status quo* powers with no vital parts of our national territory to be regained from Communist China or her allies. Japan in times of crisis is likely to attempt to restrain these countries from embroiling the U.S. and ourselves in 'the wrong war against the wrong man in the wrong place'. Furthermore, unlike these countries, Japan like Australia is in a position to trade with Communist China and to hope that this will improve not only our wealth but will also lead to improved relations with Communist China.

Lastly, Japan alone among America's Pacific allies has a numerous, long-established, highly trained diplomatic service, distributed throughout the Asian and Pacific region, well supplied with information and the pros and cons regarding all aspects of our common problems.

I would mention one point which may on occasion lead to Australia and Japan's taking different attitudes on the same issues. Whereas Australia is European in its historical associations and Asian only by territorial propinquity, Japan is Asian by race and history—she regained tariff autonomy and jurisdiction over foreign residents only in the last decade of the nineteenth century. She may on occasion see the vestiges of colonialism where in our eyes there are none. For example, when Mr Ikeda in 1963 offered to mediate in the Indonesia-Malaysia dispute, this offer was coldly received by Sir Robert Menzies. Mediation suggests that there are merits on both sides. To most Australians the Indonesian case was entirely without merits and Ikeda must have been deceived by Sukarno's ravings about neo-colonialism.

My principal doubt regarding Australian-Japanese relations is whether there are sufficient Australians engaged in discovering and

interpreting Japanese views on matters of interest to Australia and presenting them to the Australian government and people, and whether the resources of our education and university systems are properly deployed to produce such people.

Discussion of this paper was combined with discussion of the preceding and following papers: it will be found on pp. 86-9.

Australia's Changing Relations with India

R. G. Neale

The first thing to strike the inquirer into Australia's relations with India is, I think, the contrast between the tremendous importance attached by Australia to India's role in Asian and world affairs, and the insignificant extent to which Australia has figured in India's view of Asia and the world.

Since federation and particularly since World War I the 'mighty latent power' of India, the problems of and perhaps the threat inherent in her population growth and economic revolution, her political significance in the continuing evolution of the Empire and Commonwealth, her strategic position in Asia and the Indian Ocean in particular, the importance attached to her in traditional Australian defence thinking, and in modern times her role as the leader of a group of nations uncommitted in the Cold War, together with her championship of anti-colonial and anti-imperialist causes throughout the world, have ensured that discussion within and among all political parties and in the press have all emphasised India's vast importance to Australia in Asia.

This universal agreement in Australia as to India's place in Asia and the world, and the high importance attached to the Australian-Indian relationship, have been reflected in the outstanding quality of Australia's diplomatic appointments since 1947, particularly the sequence of Mr Crocker, Mr Peter Heydon, Sir James Plimsoll, and Sir Arthur Tange as Australia's High Commissioners to India.

In the light of all this it is somewhat surprising to Australians to realise for just how little Australia counts in India. In the 600-odd pages of Mr Nehru's foreign policy speeches delivered in the United Nations, in the Lok Sabha and at official and unofficial conferences,¹ Australia appears only ten times in the index, and the only extensive reference there is to the difference of opinion between Mr Menzies and Mr Nehru over an amendment to the Five Power

¹ Jawaharlal Nehru, *India's Foreign Policy* (The Publications Division, New Delhi, 1961).

resolutions sponsored by India calling for a resumption of effort to achieve a summit conference in May 1960. In addition, in the 634 pages of texts and documents referring to the foreign policy of India covering the period 1947 to 1964,² Australia appears not at all, neither in the lists of treaties and agreements nor in the lists of proposals and resolutions, not even in the 52 joint communiqués and statements. Neither does Australia appear very frequently in Indian press reports, save for sporting results and occasional notices of aid programs. Even the excision of the expression 'the White Australia policy' from the official platform of the Labor Party, which referred to a subject of peculiar interest to India, was reported briefly and factually in the press³ without in any way using the incident as an occasion for a review of problems of racialism and migration in Southeast Asia.

This contrast of concern with unconcern, of interest with uninterest, reflects, of course, the contrast between the physical resources and the potential power of the two nations as well as the differences between their prestige and diplomatic importance in the world of international affairs. To write of international relations between Australia and India seems to assume a continuity and quality of contact at the diplomatic level which did not occur, and it seems also to argue a degree of importance for Australian-Indian relationships in the Asian world which is greatly exaggerated. This becomes particularly noticeable when the subjects of trade and aid, dealt with in other chapters, are extracted from the total field. In fact, when compared with the taut diplomacy of the Cold War as a whole, the history of the diplomatic relations between India and Australia often seems much ado about very little, and it inevitably becomes a description of and an analysis of attitudes to problems of mutual concern to both countries, but problems which were often, but not always, decided by power groupings beyond the capacity of Australia to influence in any decisive fashion. This is not to deny Australian initiative in international affairs as, for example, in the development of Colombo Plan aid or in attempts to assist in the settlement of the Kashmir dispute, nor is it to belittle Australia's skilful achievement in related diplomatic fields, particularly the Indonesian-Malaysian confrontation; but it is to make a necessary correction to a diplomatic perspective sometimes distorted by national egotism and a preoccupation with the Southeast Asian scene. It is important also to get the scale of contact into correct perspective because the lack of intimate contact in part explains why some disagreements did not reach the degree of bitterness and

² *Foreign Policy of India. Texts of Documents 1947-64* (Lok Sabha Secretariat, New Delhi, 1966).

³ *Statesman* (Delhi), 3 Aug. 1965.

conflict inherent in them, particularly the element of racial conflict inherent in Australia's immigration policies and the lack of violence in the discussion of them, as compared with India's relations with South Africa on these matters.

I intend to examine historically in three fields only the development of, and the extent and nature of any change in, Australian-Indian relations. These fields refer to Australia's migration policies, attitudes to the Empire and Commonwealth, and the problem of security and peace in the Cold War.

Australia's Migration Policies

Before Australian federation and Indian independence, ultimate control of policy in both countries lay with the government of the United Kingdom. For this reason it is probably inappropriate to speak of Australian-Indian relations before federation and before Indian independence. However, events before 1900 were particularly important in the determination of attitudes, especially those concerning immigration. It is important to remember that this was the period when a population drawn from the United Kingdom was becoming Australian in interests and loyalty and bringing to this process the prejudices, attitudes, and presuppositions of their century and of their point of origin, including the accumulated experience of previous colonial attitudes and experiments in India, the West Indies, Mauritius, and South Africa. Their intellectual background included also the conflicting ideas of racial supremacy inherent in the doctrines of the Social Darwinists as well as the ideals of the anti-slavery groups. Furthermore, it was during this period that in India the policies of the United Kingdom and the government of India permitted the development of an indenture system and the migration of Indians to Africa, Fiji, and Mauritius, out of which grew the racial discrimination that has so coloured Indian nationalists' determination to achieve racial equality and to destroy colonialism and racial discrimination.

It is frequently forgotten in discussions of Australian attitudes towards Asian migration that the issue for Australia was fought out first in relation to proposed migration from India and not of migration from China. The language of the debate was no doubt acceptable to the Social Darwinists of the period but was and is offensive to the sensibilities of civilised peoples. It reflected the gross, even if understandable, ignorance of India's cultural achievement both within India itself and in her own earlier colonial and cultural expansion.

In Australia from the time of Governor Phillip's first instructions, many suggestions were made for the importation of Asian labour, both Chinese and Indian. One of the earliest was made in 1807 by

Lieutenant-Governor Paterson, the object being to serve the needs of a hemp and rope-making industry in the interests of growing shipping needs, but no action was taken. Further demands, particularly from the growing pastoral industry, were made whenever labour was difficult to obtain. This applied notably between 1825 and 1831 when migration from England to New South Wales was restricted to those with some capital, between 1837 and 1847 when the assignment system and transportation were abolished and free migration decreased as a result of a depression in New South Wales and, finally, during the labour shortage occasioned by the gold rushes of the fifties. In 1829 Edward Gibbon Wakefield suggested the importation of Chinese and Indian labourers. In 1834 there was a proposal for the importation of convicted Indians to enable the construction of public works in New South Wales, and in 1837 a select committee of the Legislative Council tentatively recommended the trial importation of 300-500 hill tribesmen to test their suitability for pastoral work and, if the experiment proved successful, to increase the importation to relieve the labour shortage. Further agitation culminated in 1843 in a petition to Governor Gipps from a 'large proportion of the proprietors of land and stock' and of a number of the magistrates in New South Wales, appealing for Indian 'coolie' labour, as it was called.

The reasons given to justify the refusal of all these requests were many and varied and often anticipated the arguments of, and revealed the incipient racialism apparent in, the more violent discussions concerning Chinese migration of a later period. Colonial reformers like Sir William Molesworth condemned the whole program, calling it a form of slavery which would inevitably produce racial problems. In addition, the Colonial Office under the leadership of Stephen and Glenelg expressed the evangelical condemnation of slavery which they perceived concealed in an indenture system. They were quite determined to apply to New South Wales the benefit of the American experience. The government of India had already banned the indenture system in 1840 after the revelation of the abuses in the system as it applied to Mauritius, and in 1841 James Stephen replied to the Australian demands with an emphatic veto.

To expedite augmentation of wealth in New South Wales by introducing the black race there from India would, in my mind, be one of the most unreasonable preferences of the present to the future, which it would be possible to make. There is not on the globe a social interest more momentous, if we look forward for five or six generations, than that of reserving the continent of New Holland as a place where the English race shall be spread from sea to sea unmixed with any lower caste. As we now regret the folly of our ancestors in colonizing North America from

Africa, so should our posterity have to censure us if we should colonize Australia from India.⁴

Governor Gipps heartily agreed with the decision of the Colonial Office.

Strong opposition came also from the growing working class in the colony⁵ which was opposed to anything vaguely resembling a renewal of transportation or the importation of any other 'so inferior a description of labour', which in their opinion would invariably degenerate into a form of domestic slavery unjust to the 40,000 British immigrants already in the colony, and would benefit neither India nor the 'coolies' themselves. Further, in their opinion, for the 'coloured and servile' 'coolies' to remain in the colony would result in the depression of working conditions and the wages of all labourers. In England it was believed that anti-slavery sentiments were so strong in the British electorate that even if the Colonial Office had not been opposed to the requests, it would have been politically unwise to accede to them. Moreover, it was feared that the importation of Asian labour into New South Wales would discourage the migration of the distressed English agricultural labourer whose presence in Australia and whose absence from England were desired by both governments. Finally there was the fear that Asian migration would endanger 'racial purity' and would curse Australia with the social and political difficulties of a racial group separated from the British community by race, colour, habits, religion, and culture.⁶

Another attempt, on this occasion to bring Eurasians to the colony, was discontinued after protests from the working classes of Sydney, and in 1854 a Select Committee on Asiatic Labour reported that, with the prospect of sufficient British migration, all Asiatic migration, indentured or free, brought at public or private expense, should be discontinued. This early period was notable for the subordination of arguments of expediency to considerations of principle, even if the principles would these days be considered unacceptable. It is notable also for the defence by the Colonial Office, by the government of India, and by the colonial governors, of the rights and welfare of Indians, and the attempt by colonial governors to maintain the cultural unity of the colony of New South Wales.

The problems associated with the proposed importation of Indian 'coolies' were next to arise in Queensland in the second half

⁴ Quoted in P. Knaplund, *The British Empire 1815-1939* (London, 1942), p. 276.

⁵ E.g. a petition from 4,129 persons principally of the working classes. Encl. in Gipps to Stanley, 27 Mar. 1843, *Historical Records of Australia*, vol. 22, p. 596.

⁶ M. Willard, *History of the White Australia Policy* (Melbourne, 1923), p. 5.

of the century. In 1862 in Queensland's first Parliament, the state government, with the strong support of Governor Bowen, responded to the arguments of those pressing the view that non-white labour was necessary to open the tropics to the cultivation of sugar and cotton. Official government action was necessary, however, because of the regulations of the government of India forbidding recruiting without the provision of controlling regulations by the government of the country recruiting such labour. An appeal to the Queen over the head of the Governor by the inhabitants of Ipswich and Brisbane, representing the working classes of the growing colony, failed to prevent the issuing of regulations legalising the importation. The Act, however, was never used because of the refusal by the Queensland government to meet the conditions required by the government of India and also because, as it turned out, the importation of Kanaka labour from the Pacific Islands had begun. This traffic was not governed by regulations and, therefore, was cheaper and quicker.

A further attempt to import Indian labourers was made in 1874 by representatives of north Queensland under the leadership of Macrossan, and it is notable that those supporting this renewed attempt to obtain cheap labour were quite opposed to the importation of Chinese labour, and this despite the strong support for Chinese labour by Governor Normanby. This attitude was determined by the opposition of the developing mining areas of northern Queensland where the antagonism to the 'yellow peril' by miners from the south was strong. With rather blatant hypocrisy the northern group preferred Indians, to whom they referred as 'their own fellow subjects'. The demand for Indian 'coolie' labour was made again in 1881 by similar interests under the leadership this time of McIlwraith. In both cases failure was due to the unwillingness of the government to meet the costs of and agree to the stringent conditions required by the government of India.

The debates in Parliament reproduced all the grounds for opposition canvassed in New South Wales in earlier years. 'Coolie' labour, it was argued, would stop European immigration. Such labour would be temporary and would keep out permanent settlers. If the 'coolies' did remain it would mean an undesirable admixture of 'a servile and inferior race' and inevitably this would depress all white labour. It would prevent the development of democratic institutions and would facilitate the development of a northern Queensland separation movement based upon semi-slave labour and opposed in social and economic structure to the rest of Australia. As Griffith argued:

It is not desirable regarding Queensland or the northern portion of it as a 'country which is to be civilized and governed on the

model adopted in the rest of the Australian colonies, that a servile race should be introduced who can never be admitted to a share of political power and whose interests will need protection by a paternal government.⁷

Griffith was motivated by a determined belief that tropical Australia could and must be developed by white labour.

In South Australia, plans for the use of Indian labour to develop the Northern Territory, although opposed by the usual arguments, did not meet the same degree of vociferous opposition as in other states, largely because of the remoteness of the north, divided by desert from the south, because of the overriding political necessity for South Australia to develop the area, and because of the universal belief that this could not be done by white labour.⁸ One further and very effective reason for lack of resistance was that the opposition party realised that the Act passed by the government of South Australia would not meet the requirements of the government of India. As a matter of fact, none of the Acts passed in Australia to permit the importation of 'coolie' labour were implemented because of the refusal of all colonial governments to meet the requirements of the government of India, namely that the importing government should provide finance for the salary of a protector of immigrants resident in the importing country but responsible to the India government, whose task it would be to enforce the conditions of agreement. Salary had to be supplied also for an effective and trustworthy emigration agent in India. These Acts failed also because of the belated carry-over into South Australia of intense anti-Chinese feeling which led to opposition to all non-white immigration. It will be remembered that by 1881 the Chinese comprised one-tenth of the whole adult population of Australia and had become an acute problem in Northern Territory development. A proposal by the Royal Commission on the Northern Territory of 1895 to implement a pilot scheme by which one hundred experienced agricultural labourers from India should be brought out with their families at the expense of the government which would provide land and a bonus for successful cultivation, was approved by the Playford government but abandoned by its successor on the eve of federation.

By 1900 then the essence of the Australian attitude to the immigration of Indian labourers was that, as far as governments and potential employers of labour were concerned, it was a desirable and necessary method of exploiting the economic opportunities of

⁷ Griffith to Governor of Queensland, 1 April 1885 (*Queensland Votes and Proceedings*, 1885, vol. 1, p. 381).

⁸ This belief persisted for many years. See *Commonwealth Parliamentary Debates (C.P.D.)*, 1926, vol. 112, p. 138.

the tropical north, but that for political, racial, social, and economic reasons Indians were unacceptable as permanent settlers. There was never an Indian minority problem in the Australian states before federation; but the attitude towards Indians evoked by plans for migration, exacerbated by the violent opposition to Chinese on the goldfields and among the growing working classes, together with the fear of and the anticipation of a Japanese threat, prevented any possibility of Indians being exempted from the provisions of the Immigration Restriction Acts passed after federation.

The tone of the opposition to any such suggestion is best exemplified by the following extracts from the debates on the Immigration Restriction Bill:

It is said by some of those who object to legislation of this sort that, while we may be justified in keeping out Chinamen, Japanese, Manillamen, Malays, or Assyrians, we have no justification for attempting to keep out of Australia the coloured British subjects of His Majesty the King. I would direct the attention of people who think in that way to the fact that the British Government today admit the power of this Commonwealth and of the people of Australia to differentiate between Indian British subjects and white British subjects, because they themselves differentiate between them. The British Government do not think of putting the Hindoo or any other native of India upon the same plane as the people of the United Kingdom. . . .

There has been a great deal of talk about the rights of the British subject. But I hold that the Commonwealth of Australia should not be called upon to give more rights to a black man in Australia from India than the Government of the United Kingdom extend to him themselves. There is a vast difference between a white man in Australia and a black man in Calcutta. The people of Australia are citizen subjects, but the people of India are subject citizens. They do not govern themselves. . . .⁹

The Indian reaction took two forms. The first of necessity was by the government and was designed to permit migration, but after the exposure of the scandals of the maladministration of the indenture system, to regulate it carefully for the protection of the economic welfare, if not of the political rights, of the migrants, and ultimately to end the whole system. Given the probability that any widespread use of the indenture system in Australia, if approved, would have reproduced in Australia the racial conflicts which developed on the east coast of Africa, those who believe that prevention is better than cure might well argue that the decision of Glenelg, of the government of India and of the Australian states,

⁹ *C.P.D.*, vol. IV, 6 Sept. 1901, speeches of Watson and O'Malley, pp. 4634, 4638.

even if the reasons justifying the decisions are deplored, is one for which the governments of India and Australia should be thankful.

The second reaction from India was the outcome of the growth of Indian nationalism and of the leadership of Mahatma Gandhi, namely a struggle for recognition of racial equality and the abolition of any discrimination against Indians living in countries other than India. The reasons why the bitterness of this struggle was directed against Natal and South Africa rather than Australia, New Zealand, and Canada have been analysed by Sir Keith Hancock. The difficulty of Indian nationalists was that 'they had to resist simultaneously immigration-promotion policies which implied Indian inferiority, and immigration-restriction policies which implied the same inferiority'. India's demand was for equality 'but the content of this equality was very different from that which had been intended by the liberal theory of the nineteenth century. It was not the equality of abstract individualism, the equality assumed to belong to isolated individuals in a cosmopolis; but rather the equality of historically diverse communities living together in a wider community of rights and duties. The new theory might indeed be put in a phrase: "Equal rights for diverse communities".¹⁰ The resolutions of the Imperial Conferences of 1918 and 1921 pointed the way to the removal of disabilities upon Indians in Australia and in 1925 they were admitted to the franchise and a total civil status superior to any other Asian nation.¹¹

Given the strong views on racial equality held by Mr Nehru and the Indian government, the continuing conflict between India and South Africa over racial issues, and the occasional unfortunate clumsiness and tactlessness in administering the immigration restriction policy from Australia after 1947, India's apparent unconcern with the White Australia policy is somewhat surprising. It has not become a matter of official debate at the diplomatic level and only twice since 1947,¹² and each time by the same speaker, has the question of immigration to Australia been raised in the Lok Sabha where, as it happened, it was not taken seriously. Neither was it taken up in the press at that time or later, and this despite Mr Calwell's rather bellicose reassertion of the White Australia policy, accompanied of course by the traditional explanation denying any racial content.¹³

¹⁰ K. W. Hancock, *Survey of British Commonwealth Affairs*, vol. I (London, 1937), p. 182.

¹¹ On Indian migration to Australia see *ibid.*; A. T. Yarwood, *Asian Migration to Australia* (Melbourne, 1964) and G. Greenwood and N. Harper (eds.), *Australia in World Affairs*, vols. 1 and 2 (Melbourne, 1957 and 1963).

¹² *Lok Sabha Debates*, 11 June 1952, vol. 1, no. 21, cols. 1586-7; 9 April 1958, cols. 9142-3.

¹³ *C.P.D.* (H. of R.), vol. 14, 4 April 1957, p. 537.

There are several fundamental reasons for this restraint by the Indian government. The first is Mr Nehru's belief, often reiterated, that each country must reserve the right to determine the composition of its own population. The second is that, in contrast with the position in the African states, Indians resident in Australia have suffered no economic or political discrimination since their admission to the franchise and to the normal social services available to all citizen taxpayers. The third is that Mr Nehru and the government of India were well aware that migration is no solution to the problem of balancing population and food supply. Perhaps a further reason is the government's preoccupation with the overwhelming tasks of creating a politically sophisticated democratic nation and of organising and administering an economic revolution of unparalleled magnitude.

Although conflict and debate over Australia's immigration policy has not taken place at the international level since the war, there has, however, been a vociferous argument within Australia. This in itself is a reflection of the vastly increased post-war Australian awareness of Asian attitudes, which is in turn the result of greatly increased contact with Asia through aid programs, political commitments, educational activities, war, trade, and tourism. In this conflict, student action groups, church organisations and immigration reform groups have all condemned the overtones of race and colour inherent in the policy, and the damage to Australia's overseas relations resulting from administrative tactlessness as well as from policies followed by Australia in the United Nations which tended to bracket her with South Africa's support for apartheid. The debate produced a notable reassertion by Mr Calwell in traditional terms of the White Australia policy, as he insisted it should be called, but it also produced a notable liberalisation of the Immigration Restriction Act as the government preferred to call it. The outstanding feature of this liberalisation was the reduction for Asians in March 1966 of the period of residence necessary for qualification as a permanent resident from fifteen years as it was in 1957 to five years, just as it is for all Europeans seeking permanent residence in Australia. This was held to have put an end to racial discrimination. Further administrative relaxation of the Act was shown in the extension of permits to relatives and dependants of people already lawfully admitted. It would be very interesting to know the extent to which this liberalisation of administrative procedures reflects the Indian experience and views of Mr Peter Heydon¹⁴ rather than a government response to public pressure.

Despite this liberalisation of administrative practice and the constant denials by both Government and Opposition as well as the

¹⁴ Secretary of the Department of Immigration since 1961.

press that the policy is based upon considerations of race and colour, the fact remains that the chief and avowed aim of the Australian immigration policy is to retain the predominantly European composition of the population. In response to student action heckling, Mr Holt put it briefly and effectively: 'Like members of the Labor Party, and of all parties, I stand four-square for Australia's migration policy.'¹⁵ This was further elaborated by a later Minister for Immigration in these terms: 'Our primary aim in immigration is a generally integrated and predominantly homogeneous population.'¹⁶ Furthermore, even though since World War II more than 15,000 people of non-European descent have been admitted as permanent residents as well as many thousands of students for temporary residency, the emphasis upon recruiting migrants from Europe and particularly from the United Kingdom to the exclusion of Asia remains positive proof of the government's adherence to the aims of the traditional policy.

To sum up then, there has over the years been no real change in Indian attitudes to migration problems. The aim has been not to find living space for 'surplus' population, but to obtain social, political, and economic justice for Indians overseas and an end to all forms of racial discrimination. On the other hand, the attitudes of the Australian government and people have changed. In the twenties, all discrimination against resident Indians was abolished, since when India has lost interest in the problem as far as Australia is concerned.¹⁷ Since World War II there has been an effective administrative liberalisation of migration practices, and over the whole period the early racial element has disappeared except for the belief that the policy as it exists and is administered is the most effective way to prevent racial conflict of the type that has bedevilled South Africa.

The Empire and the Commonwealth

In Australia after World War I, the growing fear of Japan, the realisation of India's great contribution to the imperial war effort, the awareness of the increasing intensity of Indian nationalism and the move for self-government and independence together with a demand for racial equality within the Empire, forced some attempt in Australia to consider more explicitly the problem of Australian-Indian relations.

In the twenties and thirties the debates in both Houses of Parliament and the press revealed, with few exceptions, an appall-

¹⁵ *Forces in Australian Politics*, ed. J. Wilkes (Sydney, reprinted 1964), p. 133, quoting from the *Sydney Morning Herald*, 25 Nov. 1961.

¹⁶ *C.P.D.*, 9 Mar. 1966, p. 69.

¹⁷ See 'The Romance of Migration', speech by Mr Nehru, 4 Dec. 1947, in *India's Foreign Policy*, pp. 127-8.

ing ignorance in Australia of Indian affairs, of her population growth and problems, and of her national aspirations. They reveal also an ingrained habit of thinking about India first from the point of view of a nineteenth-century imperialism based upon British and white dominance¹⁸ and secondly from the point of view of the use India might be to Australia. The debates in the House and the attitude of the press were both coloured, despite the fear of Japan, by a traditional British emphasis upon the importance of the Middle East in the defence of Australia.

Those opposed to independence and self-government for India argued that the majority of Indians were uncivilised, ignorant and unfit for self rule, that they knew nothing of the Empire or of plans of independence from it, that the whole movement was in the hands of the Brahmins who wished merely to dominate a free India in which the majority would be incapable of exercising the franchise. But such arguments, based upon ignorance, prejudice, and a paraphrase of the English debate, were subsidiary to concern for Australia's security. The British presence in India, it was argued, was necessary to restrain Russian expansion, to prevent the inevitable demand for free migration to Australia and for an end to be put to the White Australia policy. Even to grant citizenship to Indians in Australia at the time of federation was regarded by one Member of Parliament as being 'the thin end of a very insidious wedge'.¹⁹ Rather than to lend any support to movements designed to foster the collapse of the Empire it was necessary to draw closer the bonds of unity in the interests of national defence.

Among those in Australia supporting India's demands one or two, notably Senator Reid, showed some understanding of India and of the nature of her problems. His basic argument,²⁰ repeated again and again, was that the British Empire could only hold India with the consent of the Indian people, and that the United Kingdom should learn from its experience in Ireland and grant self-government before it was too late. The white races, he argued, could not expect to dominate the coloured forever, and the best way to solve this almost insoluble colour problem was to grant self-government to all coloured peoples and to grant them national equality within the Empire so that all such nations could work out their own

¹⁸ 'There is no Imperial Government, although, of course, there is an Emperor of India who is His Majesty the King. But when we speak of the Empire, we speak of the British Commonwealth of Nations. That and that only is what we mean by empire.' (W. M. Hughes, *C.P.D.*, vol. 115, 22 Mar. 1927, p. 865.)

¹⁹ *C.P.D.*, vol. XCIX, 13 July 1922, p. 429.

²⁰ See the debate in the Senate on Imperial and Economic Conferences, 9 August 1923, *C.P.D.*, vol. 104, pp. 2355-91. Also on the Pan-Pacific Trades Union Congress of May 1928, *C.P.D.*, vol. 118, pp. 4942-57.

destiny. Such action was absolutely necessary for the future of the Commonwealth. Moreover, and this was his real point, self-government for India was essential for Australian defence as well as for justice to the Indian people. As he summed it up: 'If India had self-government she would dominate Asia, and would remove our dread of Japan.'²¹

Senator Reid, however, never went as far as envisaging an Empire without India. The price of freedom would be a continued participation in imperial defence and a mutual obligation with Australia to defend imperial and thus Australian interests in Asia. He also hoped that independence would bring about a vast increase in Australian trade with India. Even though he lauded the civilisation of India and claimed India to be the mother of 'our common Aryan race', he assumed the necessary continuance of the White Australia policy which he could not see would be affected in any way by Indian independence. Assurances to this effect had been received from several notable Indians visiting Australia in a semi-official capacity, in particular Mr Rangachariar who visited Australia at the same time as the Duke and Duchess of York, Mr Cheety who visited as a parliamentary delegate, and Mr Sastri, President of the Servants of India Society.

These same arguments were repeated again and again before and during World War II, becoming more sophisticated with the increasing knowledge and understanding of the Indian nationalist movement and of the problems of modern India, and reaching a clearer definition along party lines in Australia immediately preceding the coming of Indian independence in 1947. The anti-colonialism and anti-imperialism inherent in the Labor Party and the dominance in that party of the views of Dr Evatt led to Labor (and hence Australia) supporting the move for Indian independence. Labor's concern for Australia's defence from or within Asia led to the party's continuing hope that India as a dominion would remain within a Commonwealth strengthened by her independence and thus more able to contribute to Australia's security in the post-war Pacific area.

However, neither the discussion of India's struggle for independence nor the achievement of that independence produced in Australia any basic alteration in attitudes towards India. The White Australia policy remained. The conception of the Empire or the British Commonwealth as being essentially British remained, and the outworn conception of the importance of Suez, the Middle East, and of India to an imperial and hence Australian defence plan remained. It was during the twenty years after the war and independence that the effect of India's independence was demon-

²¹ *C.P.D.*, vol. 104, 9 Aug. 1923, p. 2367.

strated in the different approaches to the problems of world peace and collaboration taken by India and Australia in the Cold War.

It can readily be seen that both the opposition in Australia to the concept of Indian independence and the assumption that India, even if granted independence, should remain in the Empire and should assume defence responsibilities of peculiar importance to Australia, were fundamentally opposed to the aims of the Indian nationalist movement expressed in the whole program of the Congress Party, the aim of which was to achieve Purna Swaraj (complete independence), and to which all forms of imperialist exploitation were anathema.

Despite this basic conflict before 1947 there was a brief accommodation of attitudes while the Labor Party was in office in Australia. The Australian Labor government welcomed the British decision to transfer power to India, and despite the initial shock to conservative sensibilities in the Opposition all parties welcomed the Indian decision to remain within the Commonwealth, even though the loosening of bonds was deplored. The discovery of a new formula defining the relationship was looked upon as proof of the virility and adaptability inherent in the British genius for government. India approved and supported the Australian effort at the United Nations in the interests of trustee and non-self-governing territories. Mr Nehru's welcome to Australia and New Zealand at the 1947 Asian Relations Conference in New Delhi, the collaboration in bringing the Indonesian question before the United Nations in 1947, and Australian participation in the 1949 New Delhi Conference on Indonesia despite Opposition criticism, all seemed indicative of future good relations despite disagreement over the nature of the Japanese peace treaty.

There has never been any doubt or confusion about India's interest in and conception of the Commonwealth, and only in one aspect has that view changed over the last twenty years. From the beginning the relationship has been, to use Professor Miller's phrase, 'a concert of convenience'. Said Mr Nehru: 'We join the Commonwealth obviously because we think it is beneficial to us and to certain causes in the world that we wish to advance. The other countries . . . want us to remain, because they think it is beneficial to them.'²² But it is a concept based upon a sincere belief in and hope that the Commonwealth multi-racial, multi-national relationship would benefit world peace, mitigate racial discrimination,²³ and foster the settlement of disputes by consultation. This was made apparent in Mr Nehru's careful justification to the Lok Sabha of the decision to remain and in his many

²² *India's Foreign Policy*, p. 141.

²³ *Ibid.*, p. 157.

patient answers to constant criticism of India's membership. He emphasised many times that membership did not impose any kind of restriction or limiting factor, political, foreign, domestic or any other, and no member of the Lok Sabha could meet his challenge to show where and when India's sovereignty or freedom of decision had in any way been limited. Moreover, he argued, there were advantages in membership. The Commonwealth 'means an occasional meeting together once a year or twice a year. It means occasional consultation and reference to each other. It means certain advantages which I get by being able to influence larger policies apart from the normal method of doing so. Otherwise, it does not come in my way at all.'²⁴

Similar justifications of continuing membership have been made by both Mr Shastri and Mrs Indira Gandhi, and the justification was necessary in the face of constant criticism. This has been upon many grounds.²⁵ The Socialists believed that because of the dominance of Britain in the Commonwealth, the policy of that Commonwealth was looked upon as British imperialism with which India must not associate. Britain was obviously partisan towards Pakistan before independence and after it, over Kashmir.²⁶ Her legalistic stand on the South African issues favoured racial discrimination. Her action over the Suez issue, her failure to consult members of the Commonwealth, her readiness to abandon the long-standing Commonwealth economic relationship and to seek entry into the European Common Market, the restriction on entry of Indian nationals into the United Kingdom, her criticism over Goa's reunion with India, her attitude to Rhodesia, have all been called in evidence that the British government's Commonwealth policy is anti-Indian.

There is one new element lending strength to criticism of the Commonwealth, which is important but difficult to define. This is the growth of a feeling among the younger intellectuals who missed the personal excitement and sense of achievement of the successful struggle for independence, and among the newer and smaller parties seeking ways and means of building a following, a feeling that secession from the Commonwealth would be 'a new independence' and would finally establish the stature of India as an entirely independent nation.

Of these issues, perhaps the racial issue has been most effective in determining India's attitude to the Commonwealth despite the

²⁴ *Lok Sabha Debates*, 12 June 1952, vol. 2, no. 1, col. 1666.

²⁵ The best brief study of India's attitude to the Commonwealth is that by Professor M. S. Rajan in the *Australian Journal of Politics and History*, vol. XII, no. 2, Aug. 1966, pp. 229-40.

²⁶ Mr Wilson's Partisan Neutrality, *Indian and Foreign Review*, vol. 3, no. 7, 15 Jan. 1966, pp. 21-3.

emotional commitment over Kashmir and the Pakistan conflict, and it is over this issue that one fundamental change did appear in India's attitude. From the time of India's entry Mr Nehru warned of the danger inherent in the Commonwealth and in the racial problem.

We have been fighting on the South African Indian issue and on other issues even though we have thus far been a Dominion of the Commonwealth. It was a dangerous thing for us to bring that matter within the purview of the Commonwealth. Because then the very thing to which you and I object might have taken place. That is, the Commonwealth might have been considered as some kind of a superior body which sometimes acts as a tribunal, or judges, or in a sense supervises the activities of its member nations.²⁷

This, of course, was the position to which India held strongly, forbidding any discussion whatsoever of the Pakistan-Kashmir issues at Commonwealth conferences and showing bitter resentment of any attempt even to comment upon the issue. And yet on the question of racial discrimination in South Africa and over the Rhodesian question the Indian government, feeling so strongly that these represented issues of universal importance, acted with African nations who, by their discussion of the issues, admittedly with the consent of the South African Prime Minister, created a situation in the conference that led to South Africa's withdrawal. The fact that this discussion took place with the full consent of the South African Prime Minister does not in the least alter the fact that members of the Commonwealth did, by their discussions and condemnation of the domestic policies of a fellow member, precipitate the withdrawal of that member.

On this issue, of course, Australia was opposed to the Afro-Indian group, and ironically enough Mr Menzies, endeavouring to prevent any precedent being established by which Commonwealth intervention in the domestic affairs of member states could be justified, argued forcibly in terms reminiscent of Mr Nehru's speech to the Lok Sabha of May 1949.

It was this conflict that marked both the end of one phase of Australia's view under Menzies's leadership of the Commonwealth and the beginning of another. It marked, perhaps, the end of a period of growing disillusionment with the Commonwealth as it had developed since World War II. This disillusionment is a composite of many elements: the identification of Australia with the United States for defence purposes; the realisation of the comparative decline of British power and influence, accompanied by a tendency to retreat west from Suez; a reluctance to see the decline of

²⁷ *India's Foreign Policy*, p. 139.

the Britishness, so to speak, of the Commonwealth; the commitment of many members to organisations outside the Commonwealth; the Suez affair; the sight of Commonwealth countries at war one with the other, of the U.S.S.R. mediating between them, and of others breaking off diplomatic relations with the United Kingdom; and finally a long series of differences particularly with India. These occurred over the Japanese Peace Treaty; over Australia's action in the Kashmir issue; over the problem of the recognition of China; over the membership of defence pacts such as SEATO and approval of other pacts such as NATO; over commitments in Viet Nam and Korea; over tactics in the Cold War, over policy in trusteeship and colonial territories in New Guinea and Nauru, and finally over the racial policies of South Africa and Rhodesia.

These differences were, save for one occasion, expressed with restraint but, nevertheless, did produce a sense of frustration and disillusionment well expressed by Mr Downer as early as March 1957:

More than anything else I believe in the Commonwealth but it must be a cooperative Commonwealth of fact not just a historical fiction. However much we hope that the emergent colonial states will take their place by our side and that the large and populous nations now within shall remain, yet this also must be said. If their ways are not our ways, if their aims are not our aims, if they feel we are so wrong as one of them continually claims, then I say that for the sake of an effective Commonwealth of the future it would be better if a dissident member gracefully retired and continued on its own course in the full exercise of its own judgment but without corroding our own joint councils.²⁸

This conflict over South Africa was also the beginning of a new phase of Australia's participation in Commonwealth affairs led by Mr Menzies, once the champion of the inner British Commonwealth idea—the 'we are all King's men' view of the Commonwealth. Reporting to Parliament in August 1964 he showed a remarkable adjustment to the realities of the new Commonwealth, arguing that because of the 'deep divisions of opinion and emphasis' within it 'the problems of the new Commonwealth must be approached patiently without illusion'.²⁹ He came, in his report, very close in mood to that of Mr Nehru in 1947 when he advised the Lok Sabha to approach the Commonwealth from the point of view of its use in the future and not to let judgment be swayed by past values and disputes. He went further and outlined a series of practical steps by which the new Commonwealth could be made effective. In the first place it was necessary to face

²⁸ *C.P.D.* (H. of R.), vol. 14, 21 Mar. 1957, p. 159.

²⁹ Commonwealth Prime Ministers' Conference, Ministerial Statement, *C.P.D.* (H. of R.), no. 21, pp. 368-75.

realities and to recognise the fact that the Commonwealth does not necessarily assume similar ideas of government, of sovereignty, of the rule of law, or even government by the democratic system. Having faced this basic reality of the new multi-racial group, then the various methods of mutual aid and collaboration from capital assistance to the establishment of a Secretariat 'must be converted from vague expressions of principle into practical schemes'. He concluded by stating that he agreed with the general feeling of the conference that 'the new Commonwealth had great usefulness and could make a powerful contribution to human destiny'. This new approach, this new spirit, might well in the future affect the accommodation of Australian-Indian conflicts in Commonwealth affairs. But although the Commonwealth association does not, of course, assume agreement upon all issues, the extent to which this new approach by the Australian government will be able to overcome the difficulties which separate the Australian and Indian viewpoints on so many issues in world affairs generally, will depend upon most skilful diplomacy.

Security and Peace in the Cold War

The third field in which to test the changing relationship between Australia and India is their approaches to the problems of achieving security and peace in the Cold War. The basic conflicts between India and Australia in this field have been very thoroughly written over³⁰ and only two things need be said. The first is that, while agreed upon ends, the two nations have for twenty years been separated by a wide area of disagreement as to means.³¹ In the search for security in the Cold War, Australia has, while endeavouring to foster friendly relations with Asian powers, constantly retreated into the orbit of the United States until she is now identified with the American view of the Cold War and with American defensive policies. In this process Australia has, as pointed out above, differed from India on practically every major issue since 1949. The reliance upon powerful friends, upon pacts such as ANZUS and SEATO; participation in the use of force whether in Korea, Viet Nam, or Malaysia; tardiness in developing self-governing institutions in dependent territories; a tendency to identify legitimate national aspirations for independence and economic welfare with communist revolution; the approval of the nuclear threat and the balance of terror as a basis of peace; the refusal to remain unaligned; and until

³⁰ G. Greenwood and N. Harper (eds.), *Australia in World Affairs*, vols. 1 and 2; Sir Alan Watt, *The Evolution of Australian Foreign Policy* (Cambridge, 1967); Werner Levi, *Australia's Outlook in Asia* (Sydney, 1958).

³¹ That this is still the case is the view of the *Indian and Foreign Review*, vol. 4, no. 14, 1 May 1967.

1964 a legalistic approach to the problems of racial discrimination throughout the world—these, while basic to Australia's conception of the best methods of ensuring peace and security for herself in Asia, have placed her government in opposition to India in world affairs. In all these methods successive Indian governments have seen positive threats to peace and in many of them a perpetuation of the aims and methods of Western imperialism at work in Asia.

The second thing to be said is that, while it might have been expected that China's attack upon India would have produced sufficient disillusionment with past methods, with non-alignment and the five principles of Panchsheel, this has not in fact been the case. After the initial shock of war and the accompanying nationalist reaction which demanded military strength rather than friendship as a basis of foreign policy, and after the initial glow of gratitude to the Commonwealth, to the United States, and to the U.S.S.R. for aid and sympathy in times of crisis had faded, Indian governments reasserted the traditional approach. It was admitted that the nature of Chinese nationalism had been misinterpreted, but India is still endeavouring to lead and extend the numbers of unaligned nations. She is still opposed to the use of Western manpower in Asia; she is still opposed to the extension of the nuclear umbrella and the proliferation of nuclear weapons,³² and, despite bitter criticism in Parliament and the press,³³ to the development of nuclear power in India for war purposes; she is still bitterly opposed to the acquisition of bases in the Indian Ocean or on the Asian mainland, by Britain or any other Western power. In fact, India remains opposed to almost every basic method upon which Australian governments since the war have endeavoured to achieve security.

It is probable that Australia's and India's diplomats, building upon the goodwill re-established during the close collaboration following China's attack, have established frequent and effective co-operative discussions at official levels. No doubt regular meetings and discussions inspire mutual confidence in each other's integrity and goodwill, and promote an intimate understanding of each government's point of view and assessment of international values. But as long as the Australian and Indian governments remain fundamentally opposed as to the methods of securing peace in Asia and the world, it is difficult to see that the final result can be more than a friendly agreement to differ.

³² For India's nuclear policy see the speech by Mr C. Chagla in *Lok Sabha Debates*, 27 Mar. 1967.

³³ E.g. criticism of Mr Swaran Singh's policy in the *Hindu Weekly Review*, 28 May 1967.

DISCUSSION

The papers by Dr Murthy, Mr Sissons, and Professor Neale were discussed together, after each had introduced his paper.

Dr Murthy said that in discussion there had been references to the Japanese difficulty in regarding India as part of Asia. There were differences of race, society, policy, and even colour. But Dr Murthy thought India no less Asian than Japan; it was not easy for Indians to understand Japanese either. When Indians and Japanese came together for talks, it was often a case of 'argument on one side and smiles on the other'. Very often, the Indians failed to make the point on their side because of the mass of verbiage surrounding it, while the Japanese for their part failed to understand it. Neither communicated easily with the other. As he had written in his paper, India and Japan had certain things in common, but the differences between them were many, and each looked more to the West than to each other. Relations between the two were, at the best, correct.

Mr Sissons repeated the points in his paper that Australian defence circles had been thinking of Japan as a possible source of help in Southeast Asia, but that this was not especially important because of the preponderant weight in the Australian governmental system of the Department of External Affairs. Increased trade with Japan was unlikely to affect Japan's decision about military connections. More talk between the two governments would, however, be an advantage. In this respect it was strange that Australia had resisted the idea of annual consultations as suggested by the Japanese. The reason seemed to lie in the lack of resources in terms of trained manpower in External Affairs. Australian universities could help by training specialists.

Professor Neale said he had tried to bring some perspective into Indian-Australian relations, to trace the development of the two countries' attitudes on racialism (with not much change in India but much in Australia), to show differing Indian and Australian attitudes on imperial and post-imperial questions, and to discuss the differences between the two during the Cold War. He should perhaps have added some conjecture about the possibility of triangular relationships between these two and Japan. From an Indian standpoint, he could see that there might be advantages, although Indian defence needs could hardly be served by them. India might wish not to call in the Great Powers when it was in trouble, however, and might prefer the alternative of working through Japan and Australia.

Discussion began with a Japanese participant's view of relations between his country and India. He agreed that they were neither

hostile nor friendly, but correct. Just after the war there had been some admiration for Mr Nehru's policy amongst Japanese intellectuals; later the predominant Japanese mood had been disillusionment about India because of business difficulties. This disillusionment had probably gone too far, and a more balanced view was needed. Many Japanese spoke with disparagement of India, saying that its economic policy was unrealistic. Japan was a reluctant member of the aid-India consortium, because of Indian reluctance to build up export trade. It was easy for Japanese to distrust Indian economic policy, given the Japanese concentration on economic growth, competition, and cost reduction. The Indian emphasis on development of heavy industry, and the neglect of agriculture, seemed wrong to the Japanese. However, there were signs of change in all these respects.

The theme of Indian-Japanese relations cropped up at various points in the discussion. One Australian participant recalled the sympathy with which Japan had been treated by Indian representatives in Tokyo after the war, and the dissenting judgment of the Indian judge on the International Military Tribunal. He was sorry to see that this sympathy did not seem to be remembered by the Japanese. From the Japanese side it was suggested that, while Japanese did not think of India as being outside Asia, they saw it as being part of another sub-system or sub-culture from that in which Japan was located. There had been much respect for Gandhi and Nehru as having a philosophic approach to world problems, but Japanese intellectuals had been disappointed by the Indian reaction to the border disputes with China, especially by the emotional anti-Chinese feeling aroused in India. In this view, the Japanese expected India to work out an alternative approach to modernisation to those of either China or Japan, a new approach under contemporary conditions. Perhaps collaboration between the two countries would be a help, but if this attempt was a negative one, based on fear of China, it would not appeal to Japanese. In reply, Dr Murthy pointed out that, in suggesting the need for long-term understanding between the two, he had not meant a military alliance. It was important, however, to recognise that India had had direct experience of Chinese invasion and Japan had not. There was complacency in Japan because of the American alliance and Japanese industrial superiority. From another Indian quarter, it was stated that until 1962 Indians felt as Japanese did now; their present attitude was very different. India did not wish officially to have China 'contained', but did seek an understanding of her difficulties from states such as Japan.

Another strand in discussion was the possibility of joint action between Australia and Japan. Mr Sissons, it was suggested by

another Australian, had left the matter at 'more talk', but could it not go further? Could not Japan and Australia formally and jointly agree not to fight a land war on the Asian mainland, while maintaining their defence ties with the United States? Mr Sissons's view was that, if the United States were involved in war because of its security treaty with Japan, this would necessarily bring in Australia, because of the provisions of ANZUS. This view was contested by Australians from two aspects: (a) it did not apply to war on the Asian mainland, which had been the object of the question; (b) ANZUS did not involve any automatic commitment to go to war in any particular circumstance, and had already been understood not to apply automatically in the case of the islands offshore from China. The main question was regarded by another Australian as unrealistic, since Japan was unlikely to wish to defend Australia, or to regard Australia as of any help in its own defence. Japanese strategic interests were narrowly defined, like Switzerland's: they were simply national defence. It was suggested, however, that a minor advantage to Japan might be use of the Australian rocket range. A cautious Japanese comment was that the Japanese reaction might be that any arrangement with Australia would add to Japan's burden and provide no advantage. On the general issue of land operations in Asia, the only possibility which Japanese participants brought forward was that some Japanese might think it necessary to intervene in Korea if, after a 'Second Korean War' had broken out, it seemed that Korea might fall under Communist domination. Mr Sissons made the point that an agreement between Japan and Australia about refraining from any land war in Asia might come into effect two elections from now in both countries if the trends in domestic politics continued. One sceptical voice commented that this was to expect Socialist parties to follow in office the same policy as they had voiced in opposition, which history suggested was an unfounded expectation.

The earlier reference to containment of China led on to a discussion of what this meant, and how it might affect the three countries being considered. To the inquiry whether India withstood China on her own borders but resisted the idea of general containment, there was an Indian yes. An Australian participant then suggested there was more resemblance between Indian and Japanese policy than had seemed likely before, since both were interested solely in their own security. On this view, it was possible that smaller countries in Asia might be sacrificed to make room for Sino-Indian and Sino-Japanese agreements. In contrast, it was suggested, the United States, in spite of mistakes, did have a sense of the need to provide for the general security of Asia; Japan and India had none. Another Australian suggested that Australian policy, while self-centred, was

at least concerned with the smaller countries. From the Indian side it was argued that India had opposed containment since it meant isolation of China, a policy which could lead only to disaster. It was fairly clear, however, that India would not agree to any arrangement (such as Buchan suggested) which might allot to each Asian state its own station and duties in a scheme of stability. From an Australian quarter it was maintained that containment and isolation were not the same thing, and that containment did not imply non-recognition, as containment of the Soviet Union (combined with diplomatic recognition) had shown. The fact of the United States not recognising Communist China was a separate issue from that of containment. A Japanese participant, while agreeing that theoretically a distinction could be made between containment and isolation, said the main Japanese reason for opposition to containment of China was that it had been combined with non-recognition. Another was that the containment policy which had worked in Europe had been mechanically applied in Asia, where conditions were quite different, where the governments supported had been much less securely based than in Europe, and where social and political problems had not been dealt with.

Part III

Asia in a World Context

The Role of the Great Powers in Asian Security

M. S. Rajan

Like the poor, the Great Powers¹ have always been with us, and will continue to be with us for as long as the present sovereign-state system lasts. Their disappearance seems inconceivable unless and until there is a radical transformation in the nature and functioning of international society. Whatever the smaller powers may say or do, the Great Powers cannot be wished away; and both their very existence and their efforts to achieve their vital interests would necessarily generate a certain degree of influence or pressure over other powers in many parts of the world. This is not to say that it is a happy situation to be in, for the role of the Great Powers in world affairs is not wholly or always conducive to a healthy development of international society.

Asia is unfortunately a major area of Great Power influence and pressures. I say *unfortunately*, partly because the Great Powers exercising that influence are either non-Asian Powers which had, or still have, some residual colonial interests—territorial and other—or because the vast majority of Asian states are small and weak militarily, economically, and politically, and are in no position to resist strong external pressures. The Soviet Union is not wholly an Asian Power, and the only Asian Power which has received formal international acknowledgment of Great Power status, China, is represented by two rival régimes. What are the interests of these Great Powers in Asia?

Interests of the Great Powers

CHINA

Ever since its establishment in October 1949, and for many years, the People's Republic of China has had genuine or pretended

¹ I am using this term in the traditional sense, implied in the recognition of the five permanent members of the UN Security Council. I do realise, however, that the only Great Powers today are two—the United States and the Soviet Union—the Super Powers, as they are more appropriately called. But I don't think it right to ignore the other three powers—at least the United Kingdom and China—in dealing with Asian affairs.

feelings of insecurity even for its continued survival. The primary source of this insecurity is, of course, the existence of the rival Nationalist régime in Formosa claiming to represent the whole of China. The military threat of the Nationalist régime by itself has been of little consequence. But the régime's continued existence has certain natural psychological implications—more so because many countries of the world, as well as the United Nations, give continued recognition to it and have declined to recognise the People's Republic of China. The existence of the Nationalist régime has also encouraged a second focus of loyalty for overseas Chinese (especially the ten millions of them in Southeast Asia) which is particularly galling to the standing of People's China.

But if this were all, People's China would not need to worry much. Both in terms of physical size and military strength, human and other resources, Formosa is no match for mainland China. However, the Nationalist régime has a political and defence alliance with one of the Super Powers—the United States. Even though People's China, too, has a similar alliance with the other Super Power, the Soviet Union, the fact that the Nationalist régime is backed by the armed might of the United States puts an altogether different complexion and significance on the military threat that Nationalist China poses to mainland China.

A second security problem for People's China is the U.S. military presence in Asia. This is in origin a hangover from World War II. But ever since the establishment of People's China, it has become a counterpoise for Chinese military strength and pressures in the area. It would not be an exaggeration to say that, today, the main-spring of American foreign and defence policies in Asia is the desire to prevent China from extending its physical power or influence beyond its present borders, particularly to the island of Formosa. In view of the continuing conflict in Viet Nam and its calculated escalation by both sides (a conflict which, according to U.S. authorities, is a war by proxy by People's China) there is little prospect of this U.S. military posture changing in the near future. Naturally, therefore, it is a standing source of anxiety for People's China that U.S. forces in Viet Nam might carry the war into China on some pretext or other. Hence it is that in spite of the severest strains in its relations with the Soviet Union, the 1950 Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance against possible attack by Japan or *any Power allied to Japan* (i.e. the United States), has not been terminated by China.

A third security problem of China's own creation is the unsettled Sino-Indian border. It is in occupation of some 14,000 square miles of what India claims to be Indian territory in Ladakh, and has very much larger claims on territory, mostly south of the McMahon Line

in the North-East Frontier Agency, which is presently in possession of India. Large Chinese and Indian forces therefore confront each other all along the entire 2,000 miles of the Sino-Indian border.

The Chinese northern and western border should have been thought to be secure in view of the bordering states (Mongolia and the Soviet Union) being fellow-Communist states, with one of which China has a military and political alliance. But due partly to conflict of national interest and partly to ideological differences, China no longer feels assured about the security of its northern and western frontiers. The additional reason for the insecurity suffered by China in respect of these borders is of China's own making—the claim to certain Soviet territories, which became part of the Russian Empire, and thus of the Soviet Union, as a result of what the Chinese now claim to be 'unequal treaties'. Naturally, this has provoked a certain Soviet reaction—including, if newspaper reports are to be believed, the stationing of Soviet armed forces on the borders—and this in turn has made China wary of Soviet intentions. The fact that Mongolia is ideologically lined up on the Soviet side has made the Chinese sense of insecurity worse.

SOVIET UNION

The Soviet Union is as much an Asian Power as a European Power, because of its vast territorial interests in Asia, including its acquisition, as a result of World War II, of the Sakhalin and Kurile islands formerly belonging to Japan. But it is curious that the Soviet Union itself started claiming to be an Asian Power only since 1965 in connection with the abortive Algiers conference of Asian-African states. It has four fellow-Communist states in Asia—China, Mongolia, North Korea, and North Viet Nam—with the first two of which it has military commitments to defend them against external aggression. In respect of the other two states, the Soviet Union gave in the past or is giving at present abundant moral and material support, respectively, to North Korea and North Viet Nam against what it believes to be American-backed South Korean and South Viet Nam aggression. The large and continuing military assistance to Viet Nam (or the Viet Cong, as the case may be), the very substantial military assistance in the past to non-aligned Indonesia, the continuing economic and (modest) military assistance to India, and the constant efforts to maintain and improve its friendship and influence with leading Asian countries (even when they are aligned with the Western camp, as in the case of Pakistan, Turkey, and Iran, for example) all amply demonstrate continued Soviet desire and efforts to ensure good relations and the security of its Asian frontiers.

UNITED STATES

The United States as a Super Power with world-wide interests has extensive security interests in Asia, even though it has no territorial interests as such (it is, of course, in physical occupation of the Ryukyu and Bonin islands, residual sovereign rights over which belong to Japan). Until recently, its primary interest in Asia was to contain Communism within Soviet and Chinese frontiers (and also North Viet Nam and North Korea). With the relaxation of the Cold War and *détente* between itself and the Soviet Union, all its Asian policies and actions towards Asian countries seem to be directed to keeping Chinese pressures and influence at bay—in Asia and even in the rest of the world. In effect, American policies and actions are aimed at preventing the domination of Asia by the Chinese colossus for fear of its harmful consequences directly to American interests including the security of its Asian allies (as well as of Australia and New Zealand). For the protection of these interests, the United States has continued to maintain extensive military bases and American forces all around the periphery of China (and the Soviet Union) in South Korea, Japan, Formosa, the Philippines, South Viet Nam, Thailand, and Pakistan, in addition to the formidable mobile force of the Seventh Fleet in the Pacific Ocean equipped with nuclear and thermo-nuclear weapons and missiles. All these bases and forces are located at the request, and with the consent, of the governments concerned. It has bilateral or multilateral military pacts (SEATO, ANZUS and the CENTO—with the last of which it is only associated) with many Asian countries as well as Australia and New Zealand. In defence of one of its allies, South Viet Nam, the United States is now engaged in actual warfare involving over 400,000 American defence forces, apart from the forces of South Viet Nam, South Korea, the Philippines, Australia, and New Zealand. All this represents a tremendous American stake in the security of Asian countries, and there is little indication that the United States will reduce in the near future these large political and military commitments.

UNITED KINGDOM

The United Kingdom, in spite of its massive withdrawal from its colonial possessions in Asia since the end of World War II, has considerable vestigial interests in Asia, including territory. It retains colonial Hong Kong in East Asia. It has treaties of protection with the Persian Gulf states. In 1965, Britain created a new colony in the Indian Ocean—the British Indian Ocean Territory. Britain has had since 1957 a defence and external affairs agreement with Malaya (now Malaysia). The United Kingdom is a member of SEATO and CENTO. It has defence installations and forces located in

Malaysia and Singapore, in addition to those in Southern Arabia and Persian Gulf protectorates. For some years there has been a demand and discussion in the United Kingdom that it should withdraw from its defence commitments east of Suez, partly to reduce its balance of payments difficulties and partly to bring its foreign and defence policies into conformity with the policy of contracting its world-wide interests and reorientating its attitude and outlook in favour of becoming a member of the European Economic Community. The British government announced in the middle of July 1967 the first major step in the direction of this policy.

FRANCE

The only other Great Power, France, has ceased to have for a decade any territorial interest or military commitments in Asia. What residual interests it has are of a cultural and commercial character, very largely confined to the Indo-China states.

Problems of Asian Security

CHINA'S MILITARY STRENGTH AND INTENTIONS

The primary security problem in Asia today largely arises from Chinese intentions and pressures towards its many neighbours. China's political and military pressures have been felt from time to time across its borders with the Soviet Union (if press reports are to be believed), the Formosa régime, North Korea, North Viet Nam, Laos, and India—more recently, even Burma and Nepal.² With historic territorial claims (official and unofficial, real and fictitious) over some neighbouring countries, with a belief in politically mobile frontiers depending upon the military strength of China from time to time and its own internal demands and circumstances, with the avowed aim of undoing 'unequal treaties', notably with the Soviet Union (in brief, with the 'resurgence of the Middle Kingdom outlook', as it has been called by one writer), and lastly with its belief in stirring up revolutions wherever the *status quo* is unjust according to the Chinese government—China naturally poses a standing threat to many Asian countries. From time to time, China in fact threatens to 'punish' certain countries for alleged wrongs to China or Chinese residents in other Asian countries. While it may be true that Chinese actions do not always go as far as the virulence of the language of its official statements and newspaper writings, its attack on India in October 1962 demonstrates that China might sometimes follow up its actions with words. A recent editorial in the Peking *People's Daily* (10 July 1967) indeed boasted

² Some other Asian countries also feel insecure because of China, even though they have no borders with China, e.g. Malaysia and the Philippines.

that Maoist thought was inspiring armed revolutions in India, Burma, Indonesia, and Thailand, apart from South Viet Nam and Laos. And during his visit to Africa in June 1965 the Chinese Prime Minister himself said that 'an exceedingly favourable situation for revolution' existed not only in Africa but also in Asia and Latin America. And China has had no inhibitions in extending to these 'revolutions' not only words of support and comfort but also arms. The 'liberation' of Formosa is, of course, one of China's major and publicly avowed aims. The object of these pressures and threats varies between exclusion of 'hostile' influence (i.e. hostile to China) from these neighbouring countries to demand for subservience to Chinese policies and needs, as in the case of North Korea, North Viet Nam, and Laos. Because of the existence of several million people of Chinese origin in practically every other Asian country, China's pressures are indirectly felt from within many of the countries through press and propaganda.

To back up its policies, actions and propaganda, China has maintained the largest standing army in the world, some two and a half million strong. While Western sources have consistently underestimated China's military strength (even so well-informed an authority as Samuel Griffiths some time ago called the Chinese army a 'paper tiger')—perhaps because of their desire to tone down the reaction of the Asian neighbours—and while Chinese armed forces might not be invincible in a long-drawn-out war against the better equipped American and Soviet forces, no one can ignore the fact that they were quite a match for American—and other—forces in the Korean war (even when the United States was in possession of atomic weapons and China was not); China also demonstrated its military strength against India in 1962. To this conventional military strength, China has now added nuclear and thermo-nuclear arms capability. Undoubtedly China will soon develop, if it has not already done so, missiles capable of carrying nuclear warheads, so that its military strength can be felt not merely among its immediate Asian neighbours, but perhaps also and increasingly in more distant countries. Indeed, China's official propaganda asserts that its developing nuclear arsenal is aimed not against its Asian neighbours but against the 'American imperialists and their lackeys'. The United States which ignored until recently the Chinese nuclear threat has now acknowledged it by deciding to install a 'thin' anti-ballistic missile system ostensibly against possible Chinese nuclear attack. Since 'lackeys of American imperialism' is a term of abuse aimed against any country which China does not like for the time being, and every Asian country can be termed any time by China as 'lackeys' of America and brought within scope of China's armed

might, no Asian country can trust Chinese intentions and assurances about its friendship.³

WAR IN VIET NAM

The second security problem in Asia is the war in Viet Nam and its far-reaching implications. With one of the Super Powers, the United States, being gradually sucked into it and the other Super Power, the Soviet Union, as well as China giving large material aid and vociferous political and diplomatic support to North Viet Nam and the Viet Cong, there is a constant danger of the war spreading to other countries (China and Laos, for example). As time passes, there is also the danger of other countries presently getting directly involved by the induction of their own troops—as in the case of Australia and New Zealand recently. And the Viet Nam conflict has implications other than security in Asia—political and ideological—and in general is an unsettling factor in Asia.

ARAB-ISRAELI HOSTILITY

The third security problem in Asia, which recently exploded for the third time in twenty years into actual warfare, is the Arab-Israeli relationship—more accurately, the lack of it. The recent war does not seem likely at the time of this writing to normalise and regularise their relations, because the Arab nations refuse to recognise the existence of Israel. As long as this situation is not remedied, it is bound to remain explosive. And the Great Powers which continue to arm both sides have vital interests in the area and keep a watchful eye on the situation without being able to resolve it.

INDO-PAKISTANI TENSIONS

The festering Indo-Pakistani relations make up the fourth security problem in Asia, and in particular the unsolved Kashmir dispute. Like the Arab-Israeli dispute, this is an old sore in Asia and is a source of persistent tensions between India and Pakistan and their respective friends. Ever since India's relations with China went bad (since about 1960) China has sought to fish in the troubled waters of Indo-Pakistani relations and also to accentuate these ten-

³ Here is the most recent and telling example. On 26 May 1967, the Chinese Minister for International Trade said, while inaugurating the newly completed Kathmandu-Kodari road (linking Kathmandu with Lhasa), that he hoped that the 'profound friendship between the Chinese and Nepalese people would last for ever'. Less than two months later, in a note dated 21 July (dealing with Nepali demonstrations against the misbehaviour of some Chinese Embassy personnel), the Chinese Embassy in Kathmandu told the Nepal government that if it did not care for the friendship of China, Nepal must 'bear the full responsibility for all serious consequences arising therefrom'. The arrogant nature of this note reportedly shocked political circles in Kathmandu and puzzled and pained many Nepali friends of China. (*Times of India* (New Delhi), 24 July 1967.)

sions by encouraging Pakistan and threatening India. This new factor will make any kind of Indo-Pakistani *rapprochement* more difficult than ever before.

COLD WAR REMNANTS

The fifth source of insecurity in Asia, in a general way, is the continued existence of military pacts and alliances, foreign military bases and the location of foreign military forces, involving both Communist and non-Communist states. All these, of course, originated in the insecurity suffered by one or both the parties in the immediate post-war years when the Cold War was in full swing. The physical presence of Western military power in Asia, and an Asian alliance with a Western Power, were standing provocations to the Communist camp, and *vice versa*. This is no longer true to the same extent as before, in view of the relaxation in the Cold War and the *détente* between the Soviet Union and the United States. Nevertheless, some at least of these commitments—like the American defence pacts with Japan and Formosa—continue to offer provocations, just as Chinese and Soviet backing of North Viet Nam and the Viet Cong is a red rag to the Western camp.

Great Power Stakes

In all these sources of insecurity the Great Powers have a stake, whether of territorial character or other, and (as needs to be emphasised) whether Asian nations like it or not. Those Asian nations which object to them, even China and India, are not in a position to do anything more than verbally denounce these remnants of the Cold War. Even if all these sources of insecurity are removed—which seems most unlikely—and no new sources of tensions are created—which seems equally unlikely—it seems that the Great Powers will continue to maintain their interests and postures in Asia for as long as one can see at present. This would certainly be true of the United States and the Soviet Union because of their being Super Powers with worldwide interests. It is instructive in this connection to note that in a radio and television interview on 2 July 1967, at Washington, D.C., Henry Cabot Lodge jr, former U.S. Ambassador in Saigon, indicated that American troops might have to stay in South Viet Nam for as long as twenty-five years. He noted in this connection that American troops have been in Germany for twenty-five years and in Korea for seventeen years. This forecast is more likely to come true than the fulfilment of President Johnson's pledge in September 1966 to withdraw American forces after the North Vietnamese forces withdrew above the 17th parallel. It does seem to the present writer that whatever may happen in Asia or in the rest of the world, the United States is unlikely to

withdraw from its political and defence commitments in Asia for as long as one can see at present. The extent and nature of these commitments might of course change from time to time (for example, its security treaty with Japan might be terminated in 1971) depending upon the change of situations in Asia, America's own changing national interests and policies from time to time and even internal developments within the American body politic. In a speech on 12 July 1966, President Johnson described the United States as a 'Pacific Power' and, according to high U.S. officials, this declaration amounted to the United States establishing a permanent military 'shield' in Asia, linked to billions of dollars of aid for regional development.⁴ Even in the unlikely event of the United States desiring to relapse into its pre-war policy of isolationism and cancelling its commitments, its Asian allies (including Australia and New Zealand) are most unlikely to let the United States do so.

Likewise, there seems to be little prospect of the present Soviet interests being radically transformed, more so because the Soviet Union is as much an Asian power as European. If the Soviet Union ever patches up its quarrel with China, as it did with Yugoslavia, the Sino-Soviet axis would be a formidable force in Asia. As a Super Power, the Soviet Union cannot be restrained from playing in Asia the role it is entitled to play to protect and promote its national interests, perhaps subject only to the limitation of a parallel role by the other Super Power, the United States. But, since the latter has no direct territorial or economic interest in Asia (or so it seems from American official statements), a dominant U.S. role in Asia seems less justifiable.

The United Kingdom's role in the security of Asia is a fast diminishing one, and also subordinate to that of the United States. That Britain recently created the British Indian Ocean Territory is not so significant as the fact that the bases in this territory would be equally available to American forces. Both for economic and political reasons, the United Kingdom would appear to be unable to maintain, or fulfil alone, any major military commitment in Asia. With the contraction of its world-wide interests and with its increasingly Europe-oriented foreign policy and relations as a prelude to becoming a member of the European Economic Community, the U.K. government would appear to be less and less interested (and hence less and less influential) in affairs outside Europe. The July 1967 British official announcement that it would withdraw its forces in Singapore and Malaysia by the mid-1970s confirms this long-term trend. No Asian nation is likely to object to British withdrawal; even Malaysia has accepted British official assurances of

⁴ See 'The "Asian Doctrine"; What it is all about', *U.S. News and World Report* (Washington, D.C.), 8 Aug. 1966, pp. 30 ff.

continued protection by British mobile and other island-based forces. Australian and New Zealand anxieties alone are unlikely to deter Britain from carrying out this plan. According to an informed view (though stated some two years before the recent British official announcement), Britain might still have a military role in southern Asia in the event of India seeking a British atomic deterrent against Chinese nuclear blackmail.⁵ As of now, it seems most unlikely that India would seek, if at all, such help from Britain alone.

NECESSARY AND DANGEROUS EVIL

While continuing American and Soviet involvement in Asian affairs (as long as one can foresee at present) is something that the world and Asia must learn to live with, in the short run, it seems to the present writer that it is only a necessary, and perhaps even a dangerous, evil which must be reduced, if not altogether eliminated in the long run. At least the efforts of the Asian nations and those of the other nations interested in peace and stability in Asia must be in that direction.

Obviously, the non-aligned countries of Asia (even India, though her official voices to that effect have been somewhat muffled since the Chinese attack in October 1962), whether these Asian nations be large or small, do not relish the interference or involvement of either or both the Super Powers in Asian affairs. They believe that such external interference (though the Soviet Union is not external to Asia) is bound to generate tensions and pressures arising out of ideological differences, extra-Asian conflicts of national interests, or the global strategies of the Super Powers, often unrelated to Asian problems and needs. It would inhibit closer co-operation among the Asian countries themselves, particularly between the aligned and the non-aligned nations, the erstwhile frigidity of which has been thawing in recent years. It would also make the solution of Asian problems and intra-Asian disputes difficult by bringing in extra-Asian influences and considerations, especially when, for a variety of historical reasons, there has been no tradition of intra-Asian co-operation, and, on the contrary, there have been from time to time intra-Asian conflicts and hostilities.

Even as regards the aligned nations, it is doubtful if they would all envisage the indefinite domination of non-Asian Powers in Asian affairs including especially security problems. While some of them might want the Great Powers to continue to be their protectors, in many of these countries (in Japan and Pakistan, for example) there have been widespread demands for self-reliance and termination of dependence on external powers for ensuring security, or political

⁵ D. E. Kennedy, *The Security of Southern Asia* (London, 1965), pp. 50-1.

and diplomatic support. Thus I am inclined not to take seriously a sectional Japanese view (probably rooted in wishful Japanese official thinking) that the present American defence umbrella over Japan will remain in position for long, if not for ever. I believe, on the contrary, that it will fold up sooner than later, even if many Japanese have discovered some virtues in it and have developed some vested interest in it; it seems so unnatural for a variety of reasons—historical, political, and economic. Chinese dependence on the Soviet Union for defence support seems to have been all but eliminated because of its acquisition of nuclear weapons, even though the 1950 treaty of mutual assistance has not yet been publicly denounced by either country. Perhaps, because of the development of missiles, logistics and mobility of naval forces, even where continued Great Power protection was considered necessary by some aligned Asian countries, the physical presence of that Power within the country needing protection is no longer necessary.

Asian Alternatives: Self-reliance and Co-operation

What then are the alternatives open to Asian nations to ensure their security? In the absence of an effective UN collective security system, there are four alternatives open to Asian nations in the matter of ensuring their security.

SELF-RELIANCE AND INTRA-ASIAN CO-OPERATION

In these days, no nation in the world can feel absolutely secure, at least for all time to come, or achieve that kind of security solely from its own resources and from its own efforts. These conditions are more difficult to achieve in Asia (and of course, Africa too) than in other continents, for many and well known reasons. Therefore, there would always be some Asian nations suffering from feelings of insecurity and being unable to obtain satisfactory security by their own efforts and from their own resources. Therefore, self-reliance seems to be ruled out for many Asian countries.

Then, what about security through intra-Asian co-operation? This alternative does not seem practicable at present and in the foreseeable future. There has not been any tradition of general intra-Asian co-operation and mutual assistance in the field of security, as in other fields. Such conditions as have existed in Europe and the Western hemisphere for many years do not exist in Asia, and are also unlikely to come into being, as far as one can foresee at present. There has not been a common concern for security among any large number of Asian nations—at least acute enough to make them assume a responsibility for the security of many other nations (SEATO and the CENTO do not disprove the above statements, because they were inspired from outside Asia and largely for that

reason have not been effective). This common desire to share responsibility for the security of other Asian nations has not come about even after the Chinese military adventures in Korea (1950), and in respect of the offshore islands (1955) and India (1962) and Chinese encouragement and assistance to North Viet Nam and the Viet Cong. Even where many Asian nations are concerned by Chinese threats to their security, or to the security of other nations, they are not agreed on the nature of the threat—whether it is likely to be an external military attack, or material and moral support to internal subversion, a desire to spread Communist ideology and revolutionary fervour. Even when some Asian nations are agreed on the nature of the threat, they are not quite agreed on the means of meeting or removing this threat—whether by military, political, economic or diplomatic means.

CONTINUANCE OF ALIGNMENT AND NON-ALIGNMENT

In the circumstances, one has to conclude that, for the time being, there are only two other alternatives open to Asian nations seeking external security. Those nations which have no political scruples about alignment with an external Great Power are bound to retain or seek afresh the support of such an external power, either bilaterally (for example U.S.-Japan) or multilaterally (SEATO, CENTO). It must be added, however, that for more than a decade now there have not been any fresh bilateral or multilateral security agreements; this is of some significance for the future.

Secondly, those nations which are determined to remain non-aligned (or become non-aligned hereafter, as Pakistan might well be planning to do, since the abrogation early in 1967 of the U.S. military aid agreement of 1954) would continue to strengthen themselves militarily and otherwise to the extent of their resources and seek or accept such military assistance as is forthcoming from outside, without compromising their non-alignment (e.g. India). Alternatively, they might adopt essentially political and diplomatic means and postures to ensure their security from nations threatening or likely to threaten them (e.g. Ceylon, Nepal, and Burma), consistent with their independence and territorial integrity. It seems very likely that these non-aligned nations would be able to enter into such political and diplomatic arrangements (or at least a tacit understanding to that effect) more with external powers than with their neighbouring Asian nations. (In July 1967, when there were some suggestions in the Indian Parliament that Nepal might be interested in a military alliance with India in view of Chinese criticism of certain Nepal government actions, the Nepal government promptly made it clear that they were not interested in any such alliance and desired to remain non-aligned.) The external

Great Powers also have learnt for many years not to insist on formal military or political pacts and alliances from the Asian nations which seek their military, political, and diplomatic assistance. This is the basis of the present Soviet military assistance to India as well as past Soviet assistance to Indonesia. Perhaps the external powers, too, now prefer this more flexible, discreet, and less burdensome arrangement than would be the case in respect of formal agreements. Thus, for instance, it is open to the United States and the Soviet Union to make a joint declaration (as the U.S. President did alone on 16 October 1964) that, in the event of any Asian nation being subjected to Chinese nuclear blackmail or attack, they would go to the rescue of these nations. Such a declaration would not formally or legally commit the external powers to any specific course of action at any specific time. Equally, it does not bind the Asian nations to take advantage of the declaration unless and until they are forced to do so and the threat or attack actually materialises.

And as long as both the aligned and non-aligned nations depend on, or even expect such external assistance, there can be no question of throwing the Great Powers out of Asia. It is hardly necessary to add that in the event of any local or regional conflict assuming wider proportions, or threatening the security or the vital interests of one of the Great Powers, or in the event that the terms of any bilateral or multilateral defence agreement were invoked, the Great Powers are likely, as before, to intervene directly in such a conflict on the side of one or the other of the Asian powers. This would inevitably have untoward consequences to the prospects of intra-Asian co-operation in the future.

An Asian Balance of Power?

While general intra-Asian co-operation in the field of mutual security seems remote at present, could some preliminary steps not be taken in that direction even in the present circumstances? Could not an indigenous system of countervailing power be created to keep in check the ambitions of an external or Asian Power seeking to dominate Asia or even part of it? Alastair Buchan has suggested the need for what he called an Asian balance of power—by which he meant ‘not any form of integrated military alliance in free Asia, but a diplomatic coalition of the stronger Asian Powers, each with a subordinate sphere of responsibility of its own. The core of the system would be a treaty of mutual cooperation between India, Australia and Japan. . . .’ Buchan considered it desirable that such a system should eventually embrace Pakistan and Indonesia as well. He envisages a series of consequential steps to modify the present strategic and political alignments in order to promote the tripartite co-operation he envisaged. However, he underlines certain

major and minor obstacles in promoting such co-operation in the near future.⁶

There is one major and, for the present, insuperable difficulty not listed by Buchan. India continues to be a non-aligned country— notwithstanding what some uninformed critics may say to the contrary—even though the conduct and posture of the policy has become less doctrinaire and more pragmatic since the end of 1962. Japan and Australia are both aligned countries, aligned with the Super Power leading the Western camp, through bilateral and (in the case of Australia) multilateral security agreements as well. Because of this situation, while all the three nations have a common interest in the security of Asia, their identification of the sources of insecurity does not always coincide. Even if and when they all foresee a common source of insecurity (as they did when India was a victim of Chinese aggression in 1962) their prescription cannot be the same—this being determined partly by their respective national interests and ideological considerations. Even in the matter of political co-operation there appear to be severe limits. Japan (in spite of being an Asian country) and Australia (in spite of its calculated and aggressive post-war efforts) are yet to get into the mainstream of thinking in Asia on Asian affairs. Their interests and policies do not often run parallel, if they do not sometimes actually conflict with each other—for example in their attitude to Communism and Communist nations, military pacts and alliances, on colonial and racial issues, and in the field of trade and commerce.

Therefore, while from the long-term point of view of greatly reducing, if not altogether eliminating, the present domination of Asian affairs by non-Asian powers, it is desirable that some sort of indigenous system of defence co-ordination and co-operation must also be promoted, it seems that even twelve years after the Bandung Conference there is little prospect of such an indigenous system developing. However, even as Western Europe is gradually developing into an economic and political entity, independent of the domination of external powers, perhaps it is both conceivable and desirable that one day problems of Asian security, among others, would be handled essentially by the Asian powers themselves (including Australia and New Zealand), even though the interests and influence of external powers cannot altogether be eliminated. But, in order to promote such a long-term Asian military balance, it is open to India, Japan, and Australia, among others, to take certain

⁶ Alastair Buchan, 'An Asian Balance of Power?', *Australian Journal of Politics and History*, vol. XII, no. 2, Aug. 1966, pp. 271-81. For enumeration of some additional difficulties in creating an Asian balance of power, see Kennedy, *op. cit.*, pp. 243 ff.

official and non-official steps which will at least create the necessary climate for future co-operation.

For the last couple of years, the Indian and Japanese governments have been consulting each other periodically on matters of common interest like disarmament, the question of non-proliferation of nuclear weapons, economic co-operation, etc. These consultations might well be extended to the field of defence by way of exchange of information on defence science, research and development of weapons technology, establishment of personal relations among senior defence personnel, and so on. One could also conceive of common military exercises (as in the case of India and other Commonwealth countries). At the non-official level, too, a great deal of professional exchange of persons and information and consultation could be promoted between the peoples of the two countries in the academic field and professional associations. Similar exchanges might well be arranged between Australia and Japan.

As far as India and Australia are concerned, apart from the impediments of India's non-alignment and Australia's alignment, there are no serious obstacles to the promotion of such co-operation and consultation. Indeed, there has been for many years a certain co-operation and consultation between the two countries because of their common membership of the Commonwealth and the links of advantage and of affinity subsisting between the two nations. The question is merely one of accelerating such co-operation and consultation and exchange of information. For some time now the regular Commonwealth exchanges of information and consultations between the two countries have been supplemented by periodical visits by senior officials to the capitals of the other country for wide-ranging consultations on general world problems as well as matters of bilateral interest and concern. One hopes that these consultations will bring the two countries and their policies increasingly closer together.

Having said all this, I should like to emphasise that it is a moot point whether an indigenous Asian balance is in the interests of the Great Powers, at least the two Super Powers, and whether they would encourage it. I believe firmly that notwithstanding periodical public statements by spokesmen of the Super Powers to the effect that their main interest in Asia is to protect and promote the interests of the Asian countries, including especially their sovereignty and independence, they would not encourage an Asian balance (that is outside the Soviet Union which is partly an Asian Power), simply because it would not necessarily promote their individual or joint interests, or would at least limit the freedom of policy and action of the Super Powers. Of course, both of them have been strengthening and supporting certain Asian Powers—some aligned and some non-

aligned in different degrees and under different political and military conditions. But obviously this support and encouragement is only up to a point and under certain conditions and only so long as it suits the interests and convenience of the respective Super Powers. This support and encouragement would taper off, if they were not suddenly terminated, either if the beneficiaries became too strong in the judgment of the benefactor or if they showed undue independence of policy and action which were likely to hurt the latter. This is the obvious meaning of the United States and the Soviet governments joining hands to try to prevent further proliferation of nuclear weapon powers—two of the most likely (in their view) being Japan and India. It seems the United States-Soviet *détente* can be over-praised by the Asian powers—for such a *détente* might extract a price from the potentially or increasingly strong Powers in Asia, in the form of a tacit agreement to accept a sort of condominium of the Super Powers over Asia!

Therefore, in the last analysis, the only sure and lasting foundations for an indigenous Asian balance of power are: the development of economic and military power by countries like India, Japan, Indonesia, and Pakistan which would promote self-reliance and self-confidence among themselves and their neighbours; secondly, political stability within their respective states and settlement of intra-Asian disputes and conflicts, which would obviate the inquisitiveness and intervention of external Asian Powers. But, unfortunately, these prescriptions are easier made than achieved in the foreseeable future.

DISCUSSION

Professor Rajan began by emphasising that, even if the present sources of tension between the Great Powers were removed, the differences in their interests would remain. The fact must be accepted, but it was a reason for trying to remove their influence from Asia. The alternatives which Asian nations might try were self-reliance and intra-Asian co-operation. Neither was much help at the moment, but both should be pursued. This involved the development of local power and local discussion. For the time being, however, the fact of one Asian state's being aligned and another non-aligned was still relevant; Alastair Buchan's idea of an Asian balance of power had not taken this into account.

Discussion proceeded on three main lines: the position of the Great Powers, non-alignment, and Asian co-operation.

An Australian participant suggested that, while to India the United States was obviously not part of Asia, to Japan and Australia it was part of the Asian *and Pacific* region. Another Australian pointed out, however, that there was some practical advantage in excluding outside powers as much as possible, whether there was an 'Asian family' or not, since it meant that small countries were less likely to be subjected to propaganda attack and to suffer from nationalist extremism. There was some argument as to what constituted a Great Power, Ranke's definition that it was one which could survive without allies being used to support the view that only the United States and Soviet Union were Great Powers, in Asia or elsewhere. There was, however, an undercurrent of doubt whether China could be excluded from the status of Great Power in Asia, or, indeed, whether an Asian balance was possible unless China were offset from outside Asia.

The issue of non-alignment was described by an Australian participant as unimportant in Asia today. What determined the attitudes of India, Japan, and Australia was, he suggested, not whether they were aligned or not, but what they thought of China; in this respect India was closer to Australia than either to Japan, although India was non-aligned and the other two were not. Professor Rajan said in reply that the non-alignment issue was important because it prevented countries which might otherwise be like-minded from coming together in formal military arrangements. To the criticism that non-alignment meant abstaining from help to one's neighbours, Professor Rajan replied that it could include neighbourly connections but not military help, because of the chain reaction which this sort of commitment developed. He agreed, however, that the distinction between alignment and non-alignment was much less now than it used to be. When asked by a Japanese what difference in independence from the United States there was between India and Japan, he said he thought India had more, but could see that the Japanese might think they had more because they were stronger economically. The non-alignment discussion concluded with an Australian comment that there had been two aspects of Indian non-alignment in its heyday: refusal to commit India between the United States and the Soviet Union, and the contention that alliances as such were bad. The first of these survived, in the form of trying to get the United States and Soviet Union into 'co-alignment'. There was now much less importance in the notion of alignment with or against the Soviet Union, so India might be able to justify connections with Japan and Australia against China as separate from non-alignment as originally understood. The second aspect, however, could be an obstacle to India if it were persisted in, since India was likely to want alliances some day. Professor Rajan pointed

out that India's main interpretation of non-alignment was that it meant she was not committed in advance.

On the question whether Asian countries could co-operate in the ways envisaged by Professor Rajan, there was some scepticism: Asia had great variety, one Japanese participant said, and could hardly be expected to have common values. However, an Australian suggested that a basis for Asian co-operation might lie in recognition of common interests and their power to override unilateral assertion of border rights. Malaysia, Singapore, the Philippines, and Indonesia had recently been showing this recognition, in spite of the earlier bitterness between them. Another Australian suggested that, while an Asian balance could not exist independent of the world balance, there might one day be a balance within Asia between China on the one hand and independent Asian states on the other. The Great Powers would probably remain ambiguous in their attitudes to an Asian balance. At present the United States and the Soviet Union, in their quest for a nuclear non-proliferation treaty, were emphasising the claims of the world balance at the expense of individual Asian countries' attitudes; but there might be other issues that produced a different result. Professor Rajan appeared to agree.

Peaceful Co-existence in Asia: a Japanese View

Yoshikazu Sakamoto

Three periods are observable in the Cold War which has been in progress during the approximately two decades since the end of World War II. The first crucial change was marked by the beginning of de-Stalinisation in 1956, the second by the Cuban crisis of 1962. I shall refer to the periods preceding the de-Stalinisation and following the Cuban crisis as the first phase and third phase respectively. The second period in between was a phase of subtle transition, during which the leadership of the two 'K's', both departing from the traditional orthodoxy of their ideological systems, engaged themselves in agonising search for an alternative to the annihilation of mankind. One of the differences between the first and the third is, of course, that the United States and Soviet Union gave way, as chief antagonists in the Cold War, to the United States and the People's Republic of China. In the first phase, the relationship between East and West was such that both sides were convinced that peaceful co-existence between them, though possible in a short-term, tactical sense, was of doubtful possibility in any long-term, strategic sense. In the third phase, on the other hand, both the U.S. and the Soviet Union came to believe that, though peaceful co-existence between East and West might be upset in short-term, tactical terms, it was possible when a long-term, strategic view was taken. Where U.S.-Chinese relations are concerned, however—and especially in the Chinese view of the world—the same view would seem to prevail as in the first phase. Officially, at least, China rejects the policy of peaceful co-existence with 'U.S. imperialism', considering it 'revisionism'. On the American side, too, it is possibly true to say that little possibility is seen of definite peaceful co-existence with China, at least under the present régime and its present policies; this is evident from the frequent expression of the hope that 'with the next generation Chinese diplomacy may become more moderate'.

In this sense, no explicit mutual recognition of the possibility of

long-term peaceful co-existence has yet been established between the U.S. and Communist China. This is far from meaning, however, that antagonism between the United States and China today is the same as that between the United States and the Soviet Union in the first phase of the Cold War, since America no longer rejects—as a principle and on a long-term basis—peaceful co-existence with the Communist nations in general, even though it may reject (justifiably or otherwise) specific policies of specific Communist nations. For example, even while America was waging a fierce war in Viet Nam, President Johnson, in the famous speech of July 1966 in which he delineated America's stand as a Pacific nation, had this to say: 'The peace we seek in Asia is a peace of conciliation: between Communist states and their non-Communist neighbours . . . Is such a peace possible? With all my heart I believe it is.' Such convincingly optimistic phraseology was not often to be heard during the first phase of the Cold War.

Where Communist China is concerned, the rejection of peaceful co-existence with U.S. imperialism predominates, at least in official pronouncements. Here again, however, although China may reject the specific policies of a specific capitalist nation, it cannot necessarily be said to be denying peaceful co-existence in principle and on a long-term basis, with America as the leading, *the* capitalist nation. In an interview with Edgar Snow in 1960, for instance, Chou En-lai reportedly said:

We believe that a solution to Sino-U.S. relations will ultimately be found: it is only a question of time. But there is one point: if the U.S. does not give up its policy of aggression and the threat of war against China, no solution is possible. We do not believe that the people of the U.S. will allow their government indefinitely to pursue such a policy.

Concerning the possibilities of peaceful co-existence between the U.S. and Communist China in general, America is admittedly more positive than China, but it does not necessarily follow either that China is bellicose and bent on world revolution, or that America is peace-loving. The principal reason why China is so consistently wary of peaceful co-existence with America lies, as we shall see later, in the Formosan question: it is afraid that to recognise long-term peaceful co-existence with America at the moment would be tantamount to recognising the long-term alienation of Formosa from the mainland. On the other hand, peaceful co-existence—the maintenance of the *status quo* where Formosa is concerned—is advantageous to America, which is why it can talk so freely on the subject. This point is easy to understand if one recalls how in the past the Soviet Union, which could only gain from the maintenance of the *status quo* in the Eastern European bloc, was far readier to

talk of peaceful co-existence with America, which saw such a state of affairs as disadvantageous to itself.

From the conciliatory remarks of Chou En-lai, Liu Shao-ch'i, and many other leaders in the second phase of the Cold War, one may conclude that U.S.-Chinese relations have also seen the first budding of what one might call a tacit agreement concerning the long-term possibility of peaceful co-existence, even though this is far more limited in scope than the similar affirmation made by the United States and the Soviet Union. This is an all-important fact, since without such an agreement concerning the long-term prospects, it would be to the possibility of ultimate confrontation that the United States and China should have to attach most importance today, even in the presence of agreement on short-term prospects. Given such long-term agreement, on the other hand, the United States, China, and any other countries can afford to view present problems in a long-term context, even though short-term points of conflict may exist.

It is true that practically no words of optimism concerning U.S.-Chinese peaceful co-existence can be heard from the leaders of China during the third phase of Cold War since the Cuban crisis. This does not necessarily mean, however, that China is to blame for the withdrawal of the long-term prospects of peaceful co-existence with the United States. The major reasons for this change on the part of China may be twofold. First, China has been opposed to the Russian policy of peaceful co-existence with America since the Cuban crisis and the test ban treaty because, in the eyes of the Chinese, the policy was pursued at the expense of Chinese Communists. In other words, Chinese have been against the Russian version of peaceful co-existence, not against China's co-existence with the United States as such. This was true perhaps up to 1965. Since the American escalation of war in Viet Nam, however, China's doubt about the long-term possibility of peaceful co-existence began to be directed to the United States as well as to the Soviet Union.

It would appear, therefore, that the negative attitude of the present Chinese régime toward peaceful co-existence is primarily a reaction to the Russo-American impact from outside. Of course, there may be domestic reasons, too. But no one can deny that the foreign policy of contemporary China is largely a function of the policy of two Powers—the United States and the Soviet Union. Whether China will revive its relatively optimistic view concerning the long-term peaceful co-existence will, therefore, largely depend on what policy these two Powers will take.

In what follows, I shall examine from a number of angles the question of what conditions must be fulfilled before long-term

peaceful co-existence in Asia—on the necessity of which the United States, China, and Japan are all agreed—can become a reality.

Three conditions at least can be cited here. The first is peaceful co-existence between the United States and Communist China. The second is peaceful co-existence between Communist China and the Soviet Union. The third is peaceful co-existence between Communist China and the nations of Southeast Asia. The essence of each of these questions can perhaps be summed up, respectively, as 'the recognition of revolution', 'the adjustment of revolutions', and 'the prevention of revolution'. Let us examine each of them now in a little more detail.

Peaceful co-existence between the United States and Communist China is absolutely impossible without recognition by the United States of the other side's Nationalist-Communist revolutionary government. Recognition here, which obviously implies diplomatic recognition and recognition of Communist China's right to a seat in the United Nations, must be such as to accord with the dual significance of the Chinese revolution. First, it must recognise the communistic social revolution which took place in China as a historical fact. Secondly, it implies recognition of the fact that the revolution for the first time succeeded in achieving a national unity which was based on the masses. Recognition of the social revolution as such may go no further in its application than the territories which the Communist government controls at present, but the second recognition also implies acknowledgment of a kind of irredentist nationalism in respect of territories not at present under Communist control—that is Formosa.

It scarcely needs pointing out that from the time when in the mid-thirties Mao Tse-tung established his leadership the Communist revolution in China was characterised by a strong and extremely nationalistic indigenous quality. It is generally agreed that the fact that the Chinese revolution depended very little on the Soviet Union, and was in fact carried out at times in violation of Stalin's policy, provided historically one of the seeds of the present antagonism between the two nations. While America welcomes this antagonism, it cannot, at the same time, deny China's nationalistic claims to Taiwan, for instance. Nor should it overlook the fact that the question of the territories in dispute between China and the Soviet Union is of a fundamentally different nature from the Taiwan question. For instance, the section of Siberia which was part of the former Ching empire is not populated by Chinese (the Han race, that is), which is presumably one of the reasons why China has refrained from making territorial demands on the Soviet Union in any specific form. In the case of the people of Taiwan, on the other

hand, both the Chinese who originally emigrated there from the mainland and those who went into political exile there from the mainland are obviously of Han stock. If it had not been so, America would never have been able to recognise and support the Chiang Kai-shek government's rule over the island. This, it should never be forgotten, is no mere matter of theory, but something which has a close bearing on the national emotions of the Chinese.

It should be noted in this connection that the question of the ownership of Taiwan is to a very high degree a question of 'principle', and of national 'face', for China. There are two points one should take into account here. On the one hand, it is indispensable for America to recognise the 'principle' that Taiwan is part of China, and to convey this fact in some appropriate fashion to the Peking government. On the other hand, so long as America's acknowledgment of the principle is conveyed accurately, it should be possible to achieve some compromise of considerable flexibility—and a compromise which would not damage American prestige—in respect of the procedure whereby any actual change in the status of Taiwan or its reunification with the mainland was effected. There is room here for 'tacit bargaining' concerning the subtle delicate interplay of principle and reality, of letter and fact. Statements by Chou En-lai such as 'America must agree on the principle of withdrawing its forces from Taiwan; the practical question of when and how they should be withdrawn is a matter for subsequent discussion', or 'we are prepared to wait twenty, or fifty years if necessary for Taiwan to return to our possession' are pregnant with implications. America should realise, however, that precisely because any bargaining here depends to a high degree on the 'tacit' element, Peking is obliged on the level of explicit statement to stand obstinately by its talk of 'principle' and 'face'. This means, to put it in other words, that an American initiative in making concessions here—specifically, that it should let Peking know its willingness to abandon the 'principle' of two Chinas—offers a necessary and effective means of finding a way out of the present situation.

It should be noted here that there are a number of basic differences between the concept of two Chinas—or, in this case, of one China and one Formosa—and the concept of 'two Germanies' or 'two Koreas'. The division of Germany and Korea stemmed originally from a division by occupying forces, based on some kind of agreement between two foreign powers—America and the Soviet Union—and their reunification, accordingly, similarly depends on some agreement between foreign nations. In the case of the China question, however, there is no foreign nation with which America can negotiate or reach agreement concerning reunification. The only possibility is Communist China itself. Nothing could demonstrate

more eloquently than this how the Formosan question stems, not from any bilateral or multilateral international agreement, but from unilateral intervention by the United States. All the more necessary is it, therefore, that there should be a unilateral initiative from America towards a solution of the problem.

Such questions apart, even, what is certain is that to recognise in principle China's demand—what might be called its fundamental national right—in this matter is an indispensable prerequisite to the establishment of peaceful co-existence between the U.S. and China. It is true that modern Chinese nationalism since the day of Sun Yat-sen contains an element of pan-Han racism which is apt to cause trouble with national minorities. But it does not follow from this fact that foreign countries have a right to reject legitimate demands of the Han race. By refusing to satisfy legitimate aspiration of a nation, foreign countries will only contribute to transform it into aggressive nationalism.

It is obvious that Chinese participation in any treaty on disarmament or arms control is extremely desirable for the sake of peaceful co-existence between the United States and China. But unless such military restrictions are based on prior recognition of China's fundamental rights they will inevitably be taken as an attempt by America to deprive China of part of her sovereignty. It is wrong to suppose that America has only to keep China 'contained' in order to be able to go ahead with disarmament or arms control. The fact that some of the strongest resistance to the proposed agreement against nuclear proliferation is coming from India—and seems likely to spread to Pakistan as well—is only one indication of the truth of this.

There is little need by now to elaborate on the importance for the peace of Asia as a whole of peaceful co-existence between China and the Soviet Union. The antagonism between the two nations does not only make itself felt in their direct relations—in the form of the border dispute, for example—but also has an important indirect bearing on relations between China and India, between China and North Korea, and between China and North Viet Nam, let alone relations with non-Communist countries.

In order to relax tensions between China and the Soviet Union, it will be necessary to effect an 'adjustment of revolutions', in the sense of reconciling the chronological, structural, and developmental gap between the Soviet-type socialist revolution and its counterpart in China. Moreover, the term 'revolution' in the Chinese case comprises two aspects: a socialist revolution and a nationalist revolution. Although these two aspects can at times be contradictory—for example, in the conflict between proletarian internationalism and

independent nuclear forces—it does not mean that they exist as separate elements. Indeed, it is precisely because of the close intertwining of the two—the way in which the form taken by the socialist revolution itself compromises certain nationalist features—that contradictions and tensions develop *within* individual revolutions, and thus between revolutions in different countries as well.

The Bolsheviks, being in a sense the successors to Imperial Russia, were not particularly nationalist in their outlook, and even when acting in practice in the national interest, tended to rationalise their action in terms of proletarian internationalism. The members of the Chinese Communist Party under Mao Tse-tung, on the other hand, were in a twofold sense conscious nationalists. They were nationalists, in the first place, in their opposition to the international imperialism of Japan and the powers of the West. What was more, the Chinese Communist Party following Mao's accession to leadership in 1935 was also nationalist in that it acted independently of the Comintern, which had been giving the Chinese revolutionary movement misguided direction through lack of understanding of the special conditions prevailing in China. Nowadays, the first aspect of this nationalism has crystallised into opposition to 'American imperialism'; I have already discussed the conditions necessary for a relaxation of tensions here. The second aspect is highly significant for its bearing on the question of how to relax present-day tensions between China and the Soviet Union, since the primary responsibility for today's antagonism seems to rest with Soviet policy towards China.

It is generally accepted that the China policy of the Soviet Union and the Comintern during the Stalin period rested on two assumptions. One was that there was no prospect of a Communist revolution succeeding in China in the near future. The second, which followed from this, was that it was necessary to retain the Chiang Kai-shek government as the only stable bulwark against pressure on China from Japan and the Western Powers. As a result, Mao Tse-tung found himself frequently forced, from the 1930s on, to carry on his revolutionary movement in opposition to the demands and wishes of the Soviet Union and the Comintern. Even as late as the closing days of World War II, the Soviet Union, in the mutual assistance pact signed between the Soviet Union and China, promised that it would give military and other support to the Nationalist government, which would continue even after the end of the war against Japan, and that it would not interfere in China's internal affairs. Not merely did the Soviet Union give almost no aid to the Chinese Communist Party in the civil war between it and the Nationalists which followed the end of World War II; it also continued until the end to accord diplomatic recognition to the Chiang Kai-shek govern-

ment—even after it had been driven to Canton by the Communist army and was on the verge of collapse. Moreover, the Soviet Union, having taken over Japan's imperialistic interests in Manchuria, continued to hang on to them for several years even after the formation of a Communist government in China.

Whereas the Korean war almost certainly spilt not a single drop of Russian blood, the loss in human lives to China was enormous. What was more, as a result of its purchases of materials for use in the war, China incurred debts with the Soviet Union which amounted in Allen Whiting's estimate to some \$2 billion, and which it must repay. Again, when a Chinese mission headed by Mao himself went to Moscow in the autumn of 1957 to seek military aid—especially in the development of nuclear weapons—and general economic aid from the Soviet Union, the latter's response betrayed Chinese expectations. This was to serve as one of the major causes of the somewhat ill-advised 'Great Leap Forward' which began in 1958. Even when China sought help following the series of disastrous crop failures of 1956-60, the Soviet Union showed no special concern to provide aid in foodstuffs.

Seen in this light, one might feel the claim that Soviet policy toward China was 'more capitalist than the capitalist nations' to have a certain justification. Even agreed that Chinese opposition to the Soviet Union today contains certain perverse and emotional xenophobic elements, one might recognise that this is rather a natural reaction to Soviet policies, and that Chinese disillusionment and distrust of the Soviet Union, and its sense of having been insulted, are not without historical justification.

Two conclusions, I believe, can be drawn from this. First, the responsibility for taking the initiative in smoothing out the present ruffled relationship between the two countries must come from the Soviet side; unless it does so, in fact, relaxation of tensions is going to prove extremely difficult. The first practical step here must be an unqualified reaffirmation by the Soviet Union that there are 'many paths to socialism', expressing its willingness to help China facilitate the development of Chinese socialist society even if the Chinese path may not comply with the Soviet pattern of socialism. Soviet society today, for example, with its high degree of bureaucratisation and stratification, may well be far from ideal in the eyes of a true Communist. Nor has Soviet policy towards Communist China been exactly a model for relations between two Communist states. This being so, it is only natural that the Communists in China should work towards goals which are different from those of their Soviet counterparts; it seems quite likely, in fact, that one of the aims of the 'Great Cultural Revolution' is to forestall any future

tendency for Chinese society to grow similar to that of the Soviet Union.

Secondly, the suggestions being made in some quarters lately that America should co-operate with the Soviet Union in the containment of China must be seen as highly misguided. Such a course of action would do nothing to solve the China question, since its only outcome would be that China's anti-American, anti-capitalist nationalism and its anti-Soviet, anti-revisionist nationalism would act together to reinforce each other. The field in which U.S.-Soviet co-operation today is most important is in promoting solutions of, for example, the Taiwan question and the question of Chinese representation in the United Nations, and in thereby recognising China's position as a great power in the field of international diplomacy and communication. On top of American efforts in the time of Dulles to drive China into a state of seclusion, the present Soviet-Chinese antagonism has led China to cut down on contact with the Soviet Union as well and has reinforced still further its tendency to go ahead with its own, isolationist brand of Communism. To drive China into such a situation cannot in any way contribute to the relaxation of tensions in Asia. Moreover, even supposing that at some time in the future the 'internationalists' favouring co-operation with the Soviet Union become stronger within China, and that Soviet-Chinese relations become closer again, if the U.S. and the Soviet Union at that time are already agreed in working together to effect a relaxation of tensions involving China, there should be no need for America to fear such a Sino-Soviet *rapprochement* as disadvantageous to itself. Despite the pressure brought upon by the containment policy, China will become sooner or later a genuine big Power. Furthermore, the containment will contribute only to make big China deeply suspicious and hostile to the outside world. Then it will require much time and efforts by others to mitigate China's fear and distrust. Contrariwise, if a policy of reconciliation is taken toward China from now on, it will not make China less big, but it will certainly make big China much less hostile to the outside world.

One of the most important conditions which the non-Communist nations must fulfil if there is to be peaceful co-existence between Communist China and the nations of Southeast Asia is, as goes without saying, to prevent revolution in these countries. Prevention of revolution here does not, of course, mean the swift suppression of revolutionary movements, but two other things that are commonplace—first, to see that those who hold power in those countries do not, by oppression or corruption, create internal conditions favourable to revolution; and second, in the event of an increase of political

instability in these countries stemming from the loss of popular support by their governments as a result of oppression or corruption, to be careful not to inflame aggravated nationalist-revolutionary consciousness among the peoples of those countries by acceding to any appeals those governments might make for external aid in shoring up their régimes.

The primary responsibility for taking the initiative in thus forestalling revolution obviously rests, first of all, with those in political power in the developing countries concerned and, secondly, with the governments of the advanced nations who provide these governments and ruling classes with economic and technical aid, and who can influence and advise them politically. Unless the two sides—the governments of the developing countries and the advanced countries—live up to their responsibilities in initiative in preventing revolution, peaceful co-existence in Asia will inevitably be exposed to the threat of a vicious sequence of revolution, civil war, and international war. Viet Nam is a typical case in point. Even the person who attributes everything to aggression by North Viet Nam can hardly fail to admit that the situation today would have been utterly different if the Diem régime had taken the initiative in social reform. In other words, the original trouble was the South Vietnamese government's failure to prevent revolution. Worse still, it made mistakes in its choice of remedies for the revolutionary war once it had broken out, and, by increasing its dependence on America, aroused the nationalist resentment of the masses. Moreover, instead of recognising this error, the South Vietnamese and American governments have been seeking to rationalise their political miscalculations by gradually escalating the domestic conflict that originated from those miscalculations until it has become an international conflict. As a result of this, the war has come to acquire a character unlike anything known before in history.

More specifically, the war is attempting the systematic destruction of a traditional society in Viet Nam as a means of countering the destruction of that society by the indigenous forces of revolution. Thus it is fulfilling the function of physically wiping out of existence the old order from which sprang the failures and mistakes committed while that order still prevailed. The method of creating 'strategic hamlets' by uprooting and reorganising for strategic purposes the naturally evolved traditional communities; the trend toward forced urbanisation created by the systematic razing of villages and the mass deportation of the peasants; the collapse of the traditional economic system as a result of the influx of dollars, military supplies, and aid goods—all these are none other than a process of 'modernisation' by systematic destruction in the name of counter-insurgency war. There are not a few cases in history where war has had the

incidental effect of furthering modernisation. But there can have been no cases where a war has been waged systematically and consciously, as it were, for the sake of 'modernisation'. I do not suggest, of course, that the war was aimed at such modernisation from the very outset; I merely mean that a war which arose in the first place from a kind of *fait accompli* has since been rationalised energetically into a 'take-off' for the modernisation needed in countering revolution. In this respect, it is no exaggeration to say that the Viet Nam war has a significance unparalleled in the history of human society.

One is left wondering, however, whether this war which seeks its own 'modernisation', rejecting that which may be achieved by communist revolution, can really achieve it with fewer sacrifices, and can really guarantee greater happiness than the latter. No indigenous revolutionary movement can be effective without support from below. War, however, can achieve an enormous destructive effect solely through the exertion of power from above. In this sense, one might call such a war for 'modernisation' a strategy for the artificial deformation of history by force. The Viet Nam war is an attempt, in which the most sophisticated scientific and technological resources of modern civilisation are being applied, artificially to reverse the flow of history. Moreover, \$300,000 are being invested in order to kill one Viet Cong man in a country where the average annual income *per capita* is \$50. What is at stake in the Viet Nam war, one might say, is not only politico-military issues, but the viability of the whole set of ideas that underlie the political and military policies concerned. In more concrete terms, if America had injected into Viet Nam in the form of aid for economic construction the \$60 million which it is spending every day on the war, then even supposing the recipient had been a Communist government, America would have enjoyed a decisive superiority over Communism both in promoting modernisation in Viet Nam and in reinforcing the peace of Asia. In short, American policy in Viet Nam is just the reverse of the prevention of revolution through peaceful social reform.

I have pointed out three requisites as the cardinal conditions of peace in Asia: recognition by the United States of the Chinese revolution, adjustment of revolutions in Sino-Soviet relations, and the prevention of revolution in connection with the developing countries in Asia. I shall briefly examine what role Japan should play in order to meet these requisites. I shall also refer to what role Japan is likely to play in the foreseeable future.

1. In order to promote the U.S. recognition of the Chinese revolution, there is no doubt that Japan should take the initiative in

granting recognition to the Peking régime and in supporting Peking in the United Nations as the representative of China. Apparently the major obstacle to this course of policy is Japan's tie with Taiwan. At second thought, however, one has no difficulty in realising that it is not Taiwan's but the U.S. objection to the policy that creates a real inhibition on the part of the Japanese government. What Japan will do toward China, therefore, largely depends on what Japan will think the United States will want Japan to do or not to do—that is Japan's image of U.S.-Japanese relations.

Generally speaking, the U.S.-Japanese relations in the next decade will be characterised by increasing confidence in national capabilities on the Japanese side and increasing reductions of international commitment on the American side. The moves on both sides will not develop in such a way that they always perform a complementary function to one another. In fact, there are already signs of ambivalence on both sides. As for the Japanese attitudes, there is a sense of growing political powerfulness *vis-à-vis* the United States, whereas there is a sense of growing strategic powerlessness *vis-à-vis* China. The latter factor will tend to make many of the Japanese feel that they are forced to remain dependent on the United States—a feeling that contradicts the former. The dilemma of the Japanese Conservative government in demanding the return of the Ryukyu Islands, while conceding a special status to the U.S. base there, is the case in point. America, on the other hand, while encouraging Japan's possession of growing national consciousness as long as it lays the foundation of Japan's stand as a bulwark against Communist China, seems to be concerned about the danger that Japan will ultimately get out of American orbit and pursue a Gaullist policy in Asia. The dilemma of the United States in urging simultaneously Japan's rearmament and Japan's abstention from the acquisition of nuclear weapons is here the case in point.

Such are the ambivalences on both Japanese and American sides. It is quite likely that these conflicting elements will make the relations between the two nations continuously unstable. Since the re-emergence of Japan's national assertion seems to be inevitable, U.S.-Japanese relations will be bound to be a process of constant soul-searching and readjustment.

2. What the Japanese people can do to facilitate the adjustment of revolutions by Chinese and Russians will be twofold—the maintenance of political and ideological neutrality *vis-à-vis* the Sino-Soviet dispute, and the development of trade and other forms of economic relations without discrimination against either side.

While the Conservative government can afford to remain relatively neutral to the Sino-Soviet conflict, it is the left-wing opposi-

tion parties—the Socialists and the Communists—whose interests are involved in the ideological struggle between these two countries. It may be noted in this connection that the increasing confidence in national autonomy does apply also to the leftist parties. This is really a remarkable new phenomenon in view of the fact that the leftist parties in Japan ever since the pre-war period have always found themselves alienated from the national community. Thus the Japan Communist Party, once pro-Soviet, then pro-Chinese, always international-oriented, now insists on its ‘independence and self-reliance’, keeping a distance from both parties to the ideological dispute. The Socialist Party, which had kept ideological association with international Marxist parties, leaned to the Soviets when the Japanese Communists took a pro-Chinese stand, and is now moving to a neutral position. Both the Socialists and Communists are searching for a ‘Japanese path to Socialism’ that will be specifically applicable to revolution in Japan—a country which, according to their definition, is highly industrialised and yet placed under the control of foreign (American) capitalism. The national consciousness of the leftist parties will probably continue to grow, neutralising the ideological impact of both China and the Soviet Union, and will formulate their attitudes to China on the basis of diplomatic friendship rather than ‘proletarian international solidarity’.

While ideology is the major concern of the leftist groups, the commercial transactions with China and Russia are the concern of business circles and the Conservative forces. Two points may be noted here. Firstly, there has been a remarkable increase in Japan’s total amount of trade with China as well as with the Soviet Union. Secondly, although trade with the Soviet Union is almost equalled by that with China—each was worth approximately 150 million yen in 1965—Russian trade has been increasingly attracting the interest of the mainstream of Japanese big business, and therefore, of the Conservative élite. Frequent exchange of leaders and information with Russia has contributed to revise the stereotyped, devil image of Communism on the part of the Conservatives. In the long run, if not in the short run, this will also neutralise the ideological impact of Chinese Communism on the Japanese Conservative élite, enabling them to take a comparatively flexible attitude to Communism.

3. That the prevention of revolution can best be achieved by the combination of social reform from within and techno-economic assistance from abroad has been demonstrated not only by many instances of the developing countries but by the post-war history of Japanese society. During the first few years of the post-war period, Japan’s economy was in a state of complete devastation, and a large number of the masses who were on the verge of starva-

tion were in earnest support of violent revolution. The revolutionary movement lost popular support by virtue of the successful policy, initiated by the Occupation Forces, of modernisation and democratisation of the social and political system. Besides, this overall social reform was accompanied by, and indeed gave rise to, the subsequent high rate of economic growth. Obviously the Japanese experience cannot be duplicated mechanically by other nations. Nevertheless, it has an intriguing relevance to the problem of peaceful system change of a society.

In spite of the fact—or, perhaps, because of the fact—that the interest of Japanese has been focused on the achievements of successful economic development within Japan, Japanese were slow in paying attention to Japan's role in facilitating successful economic development elsewhere in Asia. This was illustrated by a peculiar discrepancy in the field of foreign aid between what Japan was doing and what the Japanese thought Japan was doing. For all practical purposes, foreign aid by Japan began early in 1950. But, since it took the form of reparations to the Southeast Asian countries, most of the Japanese simply did not realise the functions it performed as foreign aid. This reparation image was followed by the notion of investment. Unfortunately this became widespread, particularly among business and political profiteers. This was illustrated by scandals that took place in connection with the reparations to Indonesia and the aid to South Korea. The third image was that of security insurance. This was in part the rationale of aid to South Korea—a country which was considered mostly by ultra-Conservatives in Japan as an indispensable bulwark against 'international communism'. Reference was recently made to foreign aid as a means of acquiring prestige in international politics. In this view, foreign aid is the dues a nation has to pay in order to be admitted to the club of Great Powers. This again is a manifestation of the recent re-emergence of nationalism in Japan.

There is no doubt that none of these four images—reparations image, investment image, strategic insurance image, prestige image—is adequate to produce a workable program of foreign aid. And yet, among the Conservatives, the influence of profiteers cannot be disregarded. As for the leftist opposition parties, precisely because their energy is now devoted to formulate a new theory of socialist revolution in a highly developed country like Japan, they do not have sufficient interest to make close investigations in the problems of underdeveloped areas, nor are they prepared to raise effective criticism of the lack of a positive program on the part of the Conservative government. But the fact remains that Japan's foreign aid is constantly expanding. It is not too much to say, therefore, that, in the absence of long-range theoretical and policy framework,

Japan is running the risk of committing itself to the aid of non-Communist and anti-Communist countries in Asia without undertaking a thorough re-examination of what its objective should be, what achievements and mistakes have been already made by other donor countries, and why.

DISCUSSION

In opening his paper, Professor Sakamoto referred to the fact that Australia was not mentioned at all and India only once. He explained that from the viewpoint of the Japanese public the triangular relationship between the United States, the Soviet Union, and China was much more important than that between Japan, India, and Australia. Also, peaceful co-existence had already been achieved with India and Australia; it was still to be found with China. He pointed out that the focus of the Cold War had shifted from Europe to Asia, and suggested that, in comparison with the former relationship between the United States and the Soviet Union, the Cold War with China was much more local and could be more readily eased by regional arrangements. He had deliberately not gone into detail about what was happening inside China, since he wanted to clarify what foreign policy should be pursued by other countries in order to change the external attitudes of the Chinese. Perhaps China had no foreign policy at present, only confusion; if anything, it seemed isolationist rather than outward-looking. He repeated the points made in the paper about policy on Taiwan and Viet Nam. So far as Japanese attitudes were concerned, he suggested there had been recent changes of substance, including some healthy disillusionment on both left and right: leftists, because of the cultural revolution, becoming more interested in a specifically Japanese path to social reform; and rightists, because of the Viet Nam war, becoming less sure of their identification with the United States. There was more ambivalence on both sides about all issues and about what causes Japan should identify itself with.

Discussion began with an Australian question: seeing that Japan had gained so much from American support, how would it be possible for Japan to take the line suggested by Professor Sakamoto and still retain American friendship? Professor Sakamoto replied that the question was based on the assumption that Japanese recognition of China or increase of trade with it would be against the interests of the United States. This assumption, shared by some Japanese businessmen, was wrong in relation to trade, and probably

also wrong about recognition. If Japan were to open the channels of communication with Peking, this would mean a better role for it as mediator between China and the United States, and this might be to the advantage of the United States. There seemed to be general agreement amongst participants that Japan could go a considerable way in the direction of a 'French' policy towards China without incurring active American hostility, so long as it did not identify itself with Chinese policy.

Professor Sakamoto's treatment of China was criticised by an Australian participant, who argued that it was too simplified in suggesting that China simply reacted to the policies of the United States and the Soviet Union, and had no urges or determinants towards a foreign policy of its own. This was, in effect, to treat China as a spoiled child which had always to be placated; a small Han child which must be given all that Han racial considerations might cause it to want. The same critic suggested that the paper oversimplified both the American and the Soviet relationship with China, in concentrating on Taiwan as the issue between China and the United States and neglecting the issues of general Asian security which the United States had taken up, and in restricting the issues between China and the Soviet Union to those of Chinese nationalism and Soviet insistence on particular paths to Socialism. Professor Sakamoto replied that he had disregarded domestic possibilities in China, since he was not attempting to show what caused Chinese foreign policy, but suggesting that the initiative in changing it must come from outside countries. On the Taiwan issue, he only wished to suggest that adjustment here would be the start of a *détente* between China and the United States, not that it was the only issue between them. On the different paths to Socialism, the Soviet Union had tried to force its view on China in 1959 by withdrawing its technicians and technical aid. China had been the sufferer in a very practical sense. To the comment from another Australian that the suggestion that the Han race had its own right to determine its boundaries smacked of European racial precedents and ought to be rejected, Professor Sakamoto replied that Peking had a right to apply the principle of self-determination and national independence to Taiwan. This was the practical form in which the question arose.

From another Japanese quarter it was suggested that, while Professor Sakamoto's views were fairly representative of Japanese intellectuals, there were other schools of thought in Japan, though the general feeling was one of friendliness towards China, partly because of a sense of close historical and cultural affinity. The present Chinese attitude towards the outside world was very different from what it had been at the Bandung Conference of 1955.

Perhaps China was suffering an overflow of energy from its revolution, as occurred with the French Revolution. Clearly, the Chinese had great confidence in their mission and wished other countries to adopt it. They had always had the notion that China was the centre of the world. It was true that Mao said China should not be too proud, but others might have to be careful about a country so successful in its internal revolution and so anxious to get others to adopt its policies. Some Japanese felt that China might wish for favourable revolutions in neighbouring countries, perhaps in Japan.

Part IV
Economics

Japan in South and Southeast Asia: Trade and Aid

Saburo Okita

In Japan, South-eastern Asia is usually taken to comprise not only Southeast Asia but South Asia. Often it is considered to include some parts of the Far East also such as South Korea, Taiwan, and Hong Kong. In fact, in some of the statistics compiled by the Japanese government, South-eastern Asia covers a vast area extending to Afghanistan and Pakistan on the west, to Indonesia on the east and south, and to South Korea on the north. Mainland China, North Korea, North Viet Nam, and Mongolia are usually classified under the Communist bloc countries in Asia.

In accordance with this Japanese method of classification, I would like to look at the share of South-eastern Asia in Japan's foreign trade. Table 9.1 shows that its share in both Japan's total import and export trade is declining.

TABLE 9.1 Share of Southeast Asia in Japanese Imports and Exports

| | Imports | Exports |
|------|---------|---------|
| | % | % |
| 1951 | 26.2 | 40.0 |
| 1956 | 22.7 | 34.7 |
| 1961 | 16.8 | 32.6 |
| 1964 | 16.3 | 26.7 |
| 1965 | 17.2 | 25.8 |
| 1966 | 16.9 | 26.9 |

The trend indicated in the table represents a combination of trends in various changes and developments which have taken place in the world, in Japan, and in South-eastern Asia. Such changes and developments may be summarised as follows.

(a) As Japan's trade has expanded from regional to global trade, the relative importance of South-eastern Asia has gradually diminished.

(b) In the course of an expansion of world trade, trade among the advanced countries has shown a far greater increase than trade among the developing countries or trade between the advanced and the developing countries. Reflecting this world trend, Japan's trade with other advanced nations has shown a greater increase than that with the developing countries.

(c) World trade in manufactured goods has more substantially expanded than that in primary products. Reflecting this world trend, Japan's trade with the developing nations in South-eastern Asia, the main exports of which are primary products, has not shown as much increase as its trade with other industrial nations.

(d) The shortage of foreign exchange reserves in South-eastern Asian countries and their lagging economic development have retarded Japan's trade with these developing nations.

Despite such a steady decline in the share of South-eastern Asia in Japan's foreign trade, Japan's trade with these developing countries has been sharply rising in absolute volume. During the past ten years, Japan's export to the countries in South-eastern Asia increased threefold, from \$868 million to \$2,630 million. However, as Japan's total export rose by 3.9 times from \$2.5 billion to \$9.8 billion, the share of these countries fell.

Of the total export from the developing ECAFE countries, which covers roughly the same area as South-eastern Asia, export to Japan increased from 9.6 per cent in 1960 to 13.4 per cent in 1965. Japan's share in the export from these countries exceeded that of Britain, which constituted 14.5 per cent in 1960 and 10.4 per cent in 1965; Japan's share is now the second largest in the area's trade, coming only after that of the United States which accounted for 15.1 per cent in 1960 and 17.4 per cent in 1965. While the total export from these countries rose only by 23 per cent during the five-year period from 1960 to 1965, their export to Japan gained by 83 per cent.¹

It should also be noted that, while the share of South-eastern Asia in Japan's trade was declining after World War II, it has ceased to fall over the past two or three years. Its share in Japan's import and export trade is now stabilised at about 17 and 26 per cent respectively. Whether the share of South-eastern Asia will rise again, or maintain its present level, or decline still further is yet to be seen. However, a decline in its share may probably stop for the following reasons:

1. The economic development of Japan's neighbouring countries is making rapid progress, and their foreign trade is sharply expanding. This is partly attributable to the increased demand caused by

¹ ECAFE, *Economic Survey*, 1966.

the Viet Nam war; but even without the effect of the war, their economic development has obviously made much progress.

2. In the 1950s, the commodity pattern of Japan's export trade was characterised by a large percentage of the exports of labour-intensive consumer goods to the advanced countries. In the future, however, heavy industry products will become Japan's major exports. This may mean that the developing countries will assume greater importance as Japan's export markets.

3. Exports of light industrial products from other Asian countries will gradually increase, and there is the possibility of an expansion in the trade in manufactured goods between these countries and Japan.

Japan as a Market for South-eastern Asian Countries

For South-eastern Asian countries, Japan is an ever-growing market. It is expected that their exports to Japan of not only primary products but also manufactured goods will increase in the coming years. Japan's gross national product (GNP) in 1966 totalled nearly \$100 billion. This amount is a little over the aggregate GNP of South-eastern Asia as a whole. As Japan's GNP is increasing at an annual rate of about 10 per cent in real terms and 12 per cent in current prices, Japan will assume increasingly greater importance as a market for other Asian countries. In this connection, two factors deserve special attention.

In the first place, Japan will have to import increasing quantities of raw materials and farm products to sustain its expanding economy. In 1965, Japan imported two-thirds of the total consumption of energy—mostly in the form of petroleum. This ratio is expected to rise to 80 per cent in 1975 and further to 90 per cent in 1985. Even if Japan is to generate in 1985 30 million kilowatts of nuclear power, corresponding to one-third of its total power generation capacity, the ratio of the imports of energy sources will decline from 90 per cent to 80 per cent only. Japan will continue to import most of the iron ore and non-ferrous metal ores it requires. Its imports of raw cotton and raw wool may somewhat decline, but Japan must continue to import the total quantity of these textile raw materials it consumes. In 1966, lumber was the second largest import of Japan, coming only after petroleum; and its import will further rise in the years to come. Imports of animal feeds such as maize and kaoliang are also sharply increasing. In 1966, Japan's feed imports amounted to 5.6 million tons; and in the near future they will exceed the 10 million mark. The expected increase in the import of feeds should be attributable to the fact that the Japanese will consume less rice and wheat but will eat more meat, eggs, and milk products. Imports of oil seeds, sugar, bananas, and marine products will also

expand. If other Asian nations can effectively produce the above-mentioned products, these countries will be able to export large quantities of such products to Japan.

The second factor worthy of notice in analysing Japan as a market is that the Japanese economy will encounter the problems of intensifying labour shortage and high wages, and that its present favourable position in the labour-intensive industries will be gradually weakened. It is quite possible that such industries will be rapidly developed in other Asian countries with abundant supply of labour. These countries will soon start exporting various products of labour-intensive industries to those countries which have so far been importing such products from Japan. Then such products will come to be imported from these countries into Japan also. Table 9.2 shows the trend of the share of the imports of Japanese labour-intensive products into the United States market. As the share of Japanese products has declined they have mainly been replaced by those from some developing industrial nations in Asia.

TABLE 9.2 Japan's Share in U.S. Imports of Selected Labour-intensive Products

| | 1955 | 1960 | 1965 |
|--------------------|------|------|------|
| | % | % | % |
| Cotton textiles | 54.9 | 27.4 | 29.1 |
| Clothing | 40.0 | 35.7 | 25.2 |
| Plywood | 27.9 | 40.1 | 26.2 |
| Toys | 72.1 | 76.1 | 53.1 |
| Artificial flowers | 86.8 | 28.6 | 9.0 |

Source: U.S. Department of Commerce.

According to Japanese government trade statistics, Japan's imports of labour-intensive goods are on the increase. Japan's imports of such products gained by 6.2 per cent annually during 1956-60, but they rose by 33.5 per cent annually during 1961-5. Such an increase should be primarily attributable to a sharp gain in the exports of light industrial products from other countries in Asia to Japan.

In this connection, the economy of Taiwan offers an interesting case. During the six-year period from 1960 to 1966, exports from Taiwan rose 3.3-fold, from \$170 million to \$569 million. The fact that Taiwan now exports those types of commodities which Japan once exported is considerably responsible for such a sharp gain in Taiwan's overall export. As a result of this increase in export trade, Taiwan's balance of payments situation greatly improved; and in 1965 the United States suspended its economic aid to Taiwan. During 1959-66, the GNP of Taiwan showed an average annual increase

of 9 per cent in real terms, which almost equalled Japan's GNP growth rate. Another important factor characterising the economy of Taiwan is that its farm production has been sharply increasing and that its population growth rate has been rapidly declining from 3.6 per cent several years ago to 2.7 per cent in 1966. For these reasons Taiwan offers an interesting case to countries strugg-

TABLE 9.3 Japan's Trade with the Far East, Southeast Asia, South Asia, and Oceania

| | Exports from Japan (\$US million) | | | Imports to Japan (\$US million) | | |
|----------------------------------|--------------------------------------|-------|---------|------------------------------------|-------|---------|
| | 1956 | 1961 | 1966 | 1956 | 1961 | 1966 |
| <i>Far East</i> | | | | | | |
| Korea (South) | 63.6 | 125.9 | 335.2 | 11.1 | 22.4 | 71.7 |
| Ryukyus | 61.8 | 113.8 | 229.8 | 22.2 | 32.8 | 78.8 |
| Hong Kong | 134.5 | 153.5 | 369.9 | 18.7 | 24.0 | 47.1 |
| China (Taiwan) | 77.9 | 96.3 | 255.4 | 45.5 | 67.7 | 147.4 |
| Total | 337.8 | 489.5 | 1,190.3 | 97.5 | 146.9 | 345.0 |
| <i>Southeast Asia</i> | | | | | | |
| Viet Nam (South) | 53.4 | 65.7 | 138.1 | 1.6 | 2.8 | 5.4 |
| Cambodia | 9.4 | 14.5 | 12.0 | 4.0 | 3.6 | 7.5 |
| Thailand | 60.9 | 133.9 | 300.8 | 35.1 | 78.3 | 153.2 |
| Malaysia | 16.7 | 34.8 | 89.4 | 138.9 | 297.6 | 307.1 |
| Singapore | 62.2 | 101.8 | 142.8 | 30.4 | 24.6 | 30.3 |
| Philippines | 55.5 | 128.2 | 278.3 | 116.8 | 156.0 | 325.0 |
| Indonesia | 76.0 | 154.8 | 119.8 | 91.5 | 86.7 | 175.9 |
| Burma | 36.3 | 52.3 | 46.6 | 42.4 | 11.4 | 14.8 |
| Total | 370.4 | 686.0 | 1,127.8 | 360.7 | 661.0 | 1,019.2 |
| <i>South Asia</i> | | | | | | |
| India | 105.3 | 111.1 | 166.8 | 103.4 | 110.9 | 205.9 |
| Pakistan | 17.7 | 51.7 | 99.5 | 50.6 | 28.9 | 30.5 |
| Afghanistan | 8.6 | 7.3 | 10.7 | — | — | — |
| Ceylon | 24.3 | 33.0 | 28.6 | 3.2 | 10.2 | 11.1 |
| Total | 155.9 | 203.1 | 304.6 | 157.2 | 150.0 | 247.5 |
| <i>Asian Communist countries</i> | | | | | | |
| China (Mainland) | 67.3 | 16.6 | 315.2 | 83.6 | 30.9 | 306.2 |
| Korea (North) | — | 4.4 | 5.0 | — | 3.5 | 22.7 |
| Viet Nam (North) | — | 4.6 | 5.6 | — | 12.7 | 9.7 |
| Mongolia | — | — | 0.2 | — | — | 0.4 |
| Total | 67.3 | 25.6 | 326.0 | 83.6 | 47.2 | 339.0 |
| <i>Oceania</i> | | | | | | |
| Australia | 30.9 | 100.2 | 297.7 | 248.4 | 451.8 | 679.6 |
| New Zealand | 5.9 | 22.3 | 59.1 | 9.4 | 49.9 | 113.2 |
| Total | 35.8 | 122.5 | 356.8 | 257.8 | 501.7 | 792.8 |
| <i>Japan</i> | | | | | | |
| Total foreign trade | 2,501 | 4,236 | 9,776 | 3,230 | 5,810 | 9,523 |

ling with the problems of balancing the population increase and food supply and of improving balance of payments by export promotion.

Japan has been telling other nations in Asia that at the early stage of economic development improvement of agriculture and the development of light industries for producing exportable commodities should receive high priorities. This advice has often aroused suspicion on the part of the developing nations in Asia that Japan wants these nations to remain agricultural and light industrial nations. What Japan really means is that each developing nation must improve agriculture in order to promote its industrialisation on a sound ground and that it must develop light industries capable of gaining export earnings in order to raise foreign exchange required for establishing its heavy industry. It also points out the advantage of international division of labour and the necessity of efforts to lower production cost.

Japan's Aid Policy

Japan's economic aid towards developing nations was started after the end of World War II, first in the form of reparations payments to countries under Japanese military occupation during the war. The inclusion of reparations payment in 'aid' may not be appropriate, but with a broader interpretation of aid in terms of transfer of capital to developing countries it may be permissible. Another form of capital transfer started in relatively earlier post-war years was the export credit accompanying the exports of capital goods from Japan. Again, it is a controversial issue whether export credit should be included in aid or not. Here, however, we follow the definition of the DAC (Developmental Assistance Committee) of OECD, which includes export credit in aid.

In 1958 the Japanese government extended a bilateral lending to India and this was the first of similar loans on government to government basis.

In 1954, Japan joined the Colombo Plan and started technical assistance to countries in South and Southeast Asia. Also, since Japan became a member of the United Nations in 1956, she has participated in multilateral aid efforts of various international agencies. In 1960 Japan became a member of the Development Assistance Group, which later became DAC of the OECD, and this has identified Japan more definitely as an aid-giving nation.

As stated above, though Japan gradually stepped up her effort to assist developing nations in the course of post-war years, she still took a passive and *ad hoc* attitude in the aid efforts. Japan's interest was mainly confined to the possible effect on the rehabilitation of her own economy by expanding export trade. Another consideration

at this stage was to conform to the aid efforts of other developed countries. Prevailing feeling in the government and among people in general was that the rehabilitation of the war-devastated economy should receive highest priority, and there was little room left for assisting other nations in view of the low standard of living of the people in Japan. In addition, there has been a general feeling that in pre-war years Japan was unnecessarily involved in the affairs of other Asian countries and this involvement had eventually brought about a catastrophe to Japanese people. There has also been a feeling that in view of the persisting memory of Japanese military occupation of other Asian countries it was considered more desirable not to touch upon problems of those countries. In short, the general attitude in Japan was 'let us not be involved in others' affairs and let us concentrate our efforts on the rehabilitation of our own economy'.

As the result of the rapid post-war economic growth, however, Japan's economic output in terms of GNP has reached the level of the United Kingdom, France, and West Germany, and almost equalled the total GNP of the whole of Asia excluding mainland China. It has become increasingly difficult for Japan to continue such a passive attitude in the matter of aid to developing nations. Under such circumstances since around 1965, signs of a more positive approach to aid have become noticeable. A shift from the hitherto *ad hoc* approach to aid to a more systematic aid policy is a general trend, although it is still at a formative stage. It must also be admitted that internally there are still objections and reluctance against expanded foreign aid, on the ground that *per capita* national income is still about half that of the Western European countries and one-quarter of the United States, and Japan is still the poorest member of the rich men's club of the world. There have also been views that the mere expansion of the volume of aid might not result in an effective use of such aid, and emphasis should be placed on quality of aid rather than its quantity. However, it can be said by now that the majority view in Japan is for a more positive aid policy and for the gradual stepping up of aid efforts.

Some of the indications of a new attitude toward aid policy are: positive participation in the effort of establishing the Asian Development Bank; convening, upon Japan's initiative, of the Ministerial Conference on the Development of Southeast Asia; and convening of the Southeast Asia Agricultural Development Conference. At the meeting of the Ministerial Conference on the Development of Southeast Asia the leader of the Japanese delegation stated: 'Japan is now determined to offer positive cooperation for the development of the Southeast Asian countries with which Japan has had close geographical and historical ties'. The countries which attended this

conference were Laos, Thailand, Malaysia, the Philippines, Singapore, South Viet Nam, Indonesia, and Cambodia.

Apart from government aid to developing nations, Japan's private investment in South-eastern Asian countries is increasing as indicated in the following figures: 1951-5, 22 cases, \$9.8 million; 1956-9, 46 cases, \$17.8 million; 1960-4, 194 cases, \$108.6 million. They include medium- and small-scale enterprises, and are related to such factors as (a) development of natural resources needed by industries in Japan, (b) assembly of parts exported from Japan, (c) labour-intensive industries which have become uneconomic in Japan due to higher labour cost.

Among the various types of aid, technical assistance is an effective and basic means for improving the economy of the aid recipient countries. Japan's technical assistance, though effective, has been very small in size and requires a substantial stepping-up. Out of the total aid of DAC countries, technical assistance accounted for 10.8 per cent in 1965 while in Japan's case it was only 1.5 per cent. The experience of Japan, which has succeeded in modernising its economy in the relatively recent past from an Asian agricultural economy, and has realised a high rate of economic growth, should have a potential contribution in accelerating the economic growth of other Asian countries.

Japan's total aid in recent years to developing countries as defined by DAC was as shown in Table 9.4. Total aid as percentage of national income is still much below the target of the UNCTAD resolution of 1 per cent. The government has announced on various occasions its determination to increase aid and reach as quickly as possible the 1 per cent level to which the government is internationally committed.

TABLE 9.4 Japan's Aid to Developing Countries

| | Total aid (\$ million) | National income (\$ billion) | Aid as per cent of national income |
|------|------------------------------|------------------------------------|---------------------------------------------|
| | | | % |
| 1961 | 381 | 41.3 | 0.92 |
| 1962 | 286 | 46.7 | 0.61 |
| 1963 | 268 | 52.9 | 0.51 |
| 1964 | 291 | 60.1 | 0.48 |
| 1965 | 486 | 68.2 | 0.71 |
| 1966 | 539 | 78.1 | 0.69 |

Among the aid-giving countries of DAC members Japan ranks fifth in terms of the total volume of aid, following the United States, France, United Kingdom, and West Germany. Japan's share in the

total of DAC aid in 1965 was 4.1 per cent. Geographical distribution of Japan's aid is heavily concentrated in Asia, which accounted for 83 per cent of total government aid in 1965. Out of total government aid from all the DAC member countries, Asia received 46 per cent.

As the economy grows rapidly, the target volume of aid, 1 per cent of national income, also increases every year. Assuming this target would be reached in 1971, the final year of the current government 'Economic and Social Development Plan, 1967-71', the total aid for that year should be 1.36 billion dollars, as national income for that year is estimated at 136 billion dollars. The above amount of aid is about 2.5 times that of the 1966 level. This much increase in aid from Japan to the developing countries, mainly directed to Asian countries, combined with an expanding trade, may have a sizeable impact on the economic future of these countries.

DISCUSSION

Professor Okita introduced his paper briefly, making no new points.

Discussion was opened by an Indian participant, who asked what steps Japan had taken to correct the economic imbalance from which other Asian countries suffered. In particular, he asked whether Japan was prepared to give up some of her light industries in favour of imports from elsewhere in Asia. As it was, Japan's import policy was a barrier to other countries' development. He also asked how Japan's advice to other Asian countries to develop their agriculture could help them, since they would not be able to sell the products in Japan in view of the development of Japanese agriculture and the changes in Japanese dietary habits away from rice and towards temperate-climate foods. He described Japanese aid policy as conservative in size, in scale, and in its terms. Other advanced countries offered more favourable terms in interest rates and in the time of repayment. Japanese aid was selective: it went to the less expensive and more profitable projects, not to projects such as roads. Japan was thereby helped to export its own capital goods and get the products of the project in return. Recipient countries often felt that Japan gave aid for its own advantage.

Professor Okita replied that, until two or three years previously, aid policy had been largely motivated by the needs of the export trade. There had not been much sense of the needs of the underdeveloped countries. Japan had wished to conform to the aid policies of other powers, although she did not accept the proposition that all developed countries should give the same proportion of

GNP in aid; she regarded herself, after all, as the poorest of the developed countries. In recent years, however, there had been a more positive move in Japan towards effective aid to developing countries. On the agriculture issue, he thought the Japanese point was not that Asian countries should develop in order to export, but should exploit their special resources in order to become self-supporting in agricultural products; they could then use their scarce overseas funds for capital projects. He admitted much of the criticism of Japanese import policy, saying that there were complaints from Australia and New Zealand as well as from Asian countries. The Japanese government received many protests from farmers and small manufacturers about any relaxation of import policies. Whereas big business was highly efficient in Japan and could withstand much foreign competition, small business was not.

An Australian participant pointed out that the whole question of foreign aid was obviously in the melting pot, not only in Japan. There was much re-thinking in the United States. It ought to be recognised that in Japan's case 1 per cent of GNP meant some \$600 million a year which might otherwise have gone towards improving roads or houses in Japan itself. Clearly, there were political difficulties for the Japanese government when it thought of increasing aid. Another Australian suggested that Japan's heavy dependence on imported raw materials made it important that she should regard her aid program as a form of insurance for stability, especially as regards Southeast Asia; moreover, Japan could afford to widen the scope of her investment from the industries supplying raw materials to those serving local domestic markets. On the general point of Japanese restrictions, he said that Japan could hardly make effective protests about investment and import difficulties in other countries when she prevented investment and imports in her own economy. Professor Okita said he thought some possibilities for foreign capital would develop.

There was some discussion of public opinion about aid within Japan itself. An Australian asked who was mainly in favour of aid in Japan, pointing out that in Western countries it was mainly liberal intellectuals who campaigned for bigger aid programs. Professor Okita said that in Japan it was mostly business people who wished to expand trade with the help of government aid to developing countries. Some intellectuals were interested in foreign aid because they thought of Japanese experience in economic growth as being transferable, but left-wing intellectuals were relatively indifferent. They were not interested in aid so much as in social development (e.g. land reform) in other Asian countries. These points were elaborated by another Japanese participant, who drew attention to the short-term expectations of Japanese businessmen about aid, and

to the reported scandals which had occurred about aid to some Asian countries. These had damaged the image of foreign aid in the minds of many Japanese, creating the suspicion that businessmen, and not the recipients, were getting the benefit. Socialists were in favour of foreign aid in principle, because they criticised the United States for relying on military power in Asia and not extending economic and technical aid, but they were also aware of economic backwardness in Japan itself, in such spheres as housing, and thought of solving Japan's own problems first. Many intellectuals were cautious of the effects produced by foreign aid, not only because of the scandals associated with some Japanese efforts, but also because of the waste involved in Viet Nam, Latin America, and elsewhere. Before Japan embarked on a massive aid program, they thought there should be a thorough examination of other countries' programs. In cases where an Asian government showed no inclination to make social reform its first priority, Japanese intellectuals would wish to abstain from giving aid.

Unequal Trade Partners for Australia

H. W. Arndt

Whatever may be the relative roles of India, Japan, and Australia in world politics, economically they constitute a singularly incongruous triad.

Consider some of the more obvious facts (Table 10.1). Two of them are among the half-dozen largest countries in area, the third having little more than one-tenth the area of the smaller of the two giants. Two of them are among the half-dozen largest countries in population, the third with little more than one-tenth the population of the smaller of the other two. One is among the half-dozen richest countries, in terms of *per capita* income, one among the very poorest, the third in the middle class. One is the country with the fastest rate of economic growth of all, one in the middle, one near the bottom end of the growth league table. Again, taking the occupational distribution of the workforce as the most significant indication of the stage of economic development, one is clearly highly developed, one underdeveloped, and the third in an intermediate stage.

TABLE 10.1 Australia, Japan, India: Basic Economic Facts

| | Year | Unit | Australia | Japan | India | Australia | Japan | India |
|----------------------------------------|-------------|---------------------|-----------|--------|---------|-------------------|-------|-------|
| | | | | | | (Australia = 100) | | |
| Area | | '000 m ² | 2,971 | 143 | 1,262 | 100 | 5 | 42 |
| Population | 1967 | million | 11.5 | 100 | 501 | 100 | 870 | 4,360 |
| GNP | 1964 | \$A million | 15,739 | 55,000 | 32,000 | 100 | 349 | 203 |
| GNP per head | 1963 | \$US | 1,533 | 589 | 76 | 100 | 38 | 5 |
| Exports | 1964 | \$A million | 2,782 | 6,050 | 1,500 | 100 | 217 | 54 |
| Imports | 1964 | \$A million | 2,373 | 7,200 | 2,620 | 100 | 303 | 110 |
| Balance of payments on current account | av. 1962-64 | \$A million | -425 | -350 | -696 | | | |
| Rates of growth: | | | | | | | | |
| Population | 1954-64 | % p.a. | 2.1 | 1.0 | 2.6 | | | |
| GNP | 1954-64 | % p.a. | 4.5 | 10.0 | 3.4 | | | |
| GNP per head | 1954-64 | % p.a. | 2.4 | 9.0 | (1.0) | | | |
| Proportion of workforce in: | | | | | | | | |
| Agriculture, fishing, etc. | | % | 11.1 | 25.7 | (60-70) | | | |
| Manufacturing, mining | | % | 28.8 | 31.4 | (10) | | | |
| Services | | % | 60.1 | 42.9 | (20-30) | | | |

Sources: *Statistical Survey of Economy of Japan, 1966* (Ministry of Foreign Affairs, Tokyo, 1967), *Economic Survey, 1965-66* (Government of India, Delhi, 1966), *Economic Indicators, March 1967* (Department of Trade and Industry, Canberra, 1967), United Nations, *Yearbook of National Accounts Statistics, 1965* (New York, 1966).

In some respects the three economies are, at first sight, not dissimilar. Total national income in each is of the same order of magnitude; so is the volume of foreign trade. And all three are capital importing countries. But even these likenesses are deceptive. Not only is Japan clearly the largest of the three economies, measured by the total volume of goods and services produced and traded. But when the level of *per capita* income, the stage of economic development, and the rate of economic growth differ so greatly, total production and trade are very inadequate measures of economic 'size'. Similarly, the annual capital inflows, though not too different in size, are very different in their economic significance: predominantly aid in the case of India, predominantly direct investment in the case of Australia, predominantly fixed-interest borrowing in the case of Japan.

Differences in Trade Structure

Diversity between national economies is not necessarily a barrier to close and mutually beneficial economic relations. Indeed, differences in resource endowment and specialisation are the very basis of international trade. But in the case of the three countries with which we are concerned, it happens that the differences at present favour trade very unevenly. The Australian and Japanese economies are very largely complementary. The Australian and Indian economies are as yet a good deal more competitive in their foreign trade.

Table 10.2 compares the commodity pattern of the foreign trade of the three countries as it has developed over the past twenty-five years. Both Australia and India export mainly primary products and import mainly manufactures. Japan exports mainly manufactures and imports mainly primary products. In all three countries, economic development has shifted trade from primary products towards manufactures but not yet enough to alter the basic pattern. As between Australia and Japan, the changes of the past twenty-five years have, if anything, increased the degree of complementarity, Japan's exports shifting from textiles and other light consumer goods towards heavy industrial products, such as machinery and metal manufactures, just as Australia's imports have undergone a similar shift. As between India and Australia, there are two major exceptions to the competitive pattern: the large share of textiles among India's exports and of foodstuffs among her imports. But neither is very helpful to Australian-Indian trade, for textiles are still imports against which Australia is anxious to protect domestic industries, while India aims at self-sufficiency in food, and her present large import needs are mainly financed by aid.

Other factors have reinforced this basic reason why India and Japan have been, and are likely to remain for some time, unequal

TABLE 10.2 Commodity Structure of Trade: Australia, India, Japan

| | Australia | | | India | | | Japan | | |
|------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 1937 % | 1953 % | 1963 % | 1938 % | 1951 % | 1963 % | 1937 % | 1951 % | 1963 % |
| <i>Exports</i> | | | | | | | | | |
| Food and beverages | 34.6 | 32.8 | 39.8 | 19.0 | 21.6 | 32.7 | 9.2 | 11.3 | 5.9 |
| Agricultural raw materials | 54.0 | 51.9 | 39.7 | 51.2 | 18.0 | 13.3 | 16.5 | 5.4 | 3.0 |
| Minerals | 1.9 | 3.4 | 5.2 | 4.4 | 5.9 | 9.7 | 1.2 | 0.9 | 0.3 |
| Oil | — | — | — | — | — | 0.8 | — | — | — |
| Total primary | 90.5 | 88.1 | 84.7 | 74.6 | 45.5 | 56.5 | 26.9 | 17.6 | 9.2 |
| Machinery, metal manufactures, chemicals | 8.0 | 9.7 | 11.1 | — | — | 2.3 | 16.4 | 34.6 | 50.5 |
| Textiles | 0.4 | 0.3 | 0.4 | 24.8 | 53.9 | 34.4 | 44.2 | 32.7 | 20.7 |
| Other manufactures | 1.1 | 1.9 | 3.8 | 0.6 | 0.6 | 6.8 | 12.5 | 15.1 | 19.6 |
| Total manufactures | 9.5 | 11.9 | 15.3 | 25.4 | 54.5 | 43.5 | 73.1 | 82.4 | 90.8 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| <i>Imports</i> | | | | | | | | | |
| Food and beverages | 8.1 | 8.8 | 6.1 | 15.3 | 32.7 | 14.3 | 8.4 | 26.8 | 16.7 |
| Agricultural raw materials | 9.0 | 6.6 | 6.8 | 10.3 | 19.4 | 10.4 | 40.6 | 35.6 | 27.8 |
| Minerals | — | 1.3 | 1.1 | 0.6 | 0.6 | 0.7 | 6.6 | 16.0 | 15.3 |
| Oil | 10.0 | 13.0 | 10.8 | 11.6 | 9.6 | 9.1 | 4.1 | 8.3 | 15.7 |
| Total primary | 27.1 | 29.7 | 24.8 | 37.8 | 62.3 | 34.5 | 59.6 | 86.7 | 75.5 |
| Machinery, metal manufactures, chemicals | 36.1 | 44.9 | 46.3 | 24.8 | 21.6 | 58.6 | 34.8 | 11.2 | 20.7 |
| Textiles | 19.9 | 14.1 | 10.4 | 18.0 | 4.7 | 1.1 | 1.1 | 0.8 | 0.6 |
| Other manufactures | 16.9 | 11.3 | 18.3 | 19.4 | 11.4 | 5.8 | 4.4 | 1.3 | 3.2 |
| Total manufactures | 72.9 | 70.3 | 75.0 | 62.2 | 37.7 | 65.5 | 40.3 | 13.3 | 24.5 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Sources: Japan and Australia: P. Drysdale, *Japanese-Australian Trade* (Ph.D. thesis, A.N.U., 1967), Tables A32, A33; India: United Nations, *Yearbook of International Trade Statistics*.

trade partners for Australia. One has been the enormously faster rate of economic growth in Japan. Another has been India's persistent balance of payments problem which has led her to give preference to countries able to supply imports on credit or under bilateral payments arrangements. A third has been the fact that trade with India, unlike most trade with Japan, has presented to Australia some of the problems arising in trade between centrally-planned and market economies.

Between them, these major differences go a long way towards

explaining the sharply contrasting picture of Australian-Japanese and Australian-Indian post-war trade revealed in Table 10.3.

Between 1950 and 1954, Australian exports to Japan doubled; between 1954 and 1964 they quadrupled, raising Japan's share in them from 6.7 to 17.5 per cent. In the latter half of 1966, Japan, decisively and probably for good, replaced Britain as Australia's largest market, taking almost one-fifth of Australian exports compared with only one-sixth each going to Britain and the United States. How much this extraordinary expansion owed to the growth of Japan's economy and import demand is evidenced by the fact that Australia's share in Japanese imports has not changed significantly. At the same time, Australia's imports from Japan have grown tenfold since the early fifties, raising Japan's share from 2 per cent to nearly 10 per cent, and Australia has become Japan's third largest single market.

By comparison, Australian-Indian trade makes a dismal showing. Trade in both directions has declined steadily, not merely relatively but absolutely. Australian exports to India fell from about \$50 million a year in the late 1940s to \$27 million in 1965-6, rising to higher figures only in the years of Australian gifts of wheat; their share in both Australian exports and Indian imports declined from about 5 per cent to under 2 per cent. Indian exports to Australia have done little better. From the Korean war boom peak of nearly

TABLE 10.3 Australian Trade with Japan and India

| Year | Japan | | | | | | India | | | | | |
|----------|--------------------|-----------------------|---------------------------|--------------------|-----------------------|---------------------------|--------------------|-----------------------|-------------------------|--------------------|-----------------------|-------------------------|
| | Australian Exports | | | Australian Imports | | | Australian Exports | | | Australian Imports | | |
| | \$A m. | As % of Aust. exports | As % of Japanese imports* | \$A m. | As % of Aust. imports | As % of Japanese exports* | \$A m. | As % of Aust. exports | As % of Indian imports* | \$A m. | As % of Aust. imports | As % of Indian exports* |
| 1948-49 | 14.8 | 1.4 | 2.6 | 3.4 | 0.4 | 3.3 | 52.4 | 4.8 | 4.7 | 51.7 | 6.2 | 5.8 |
| 1949-50 | 47.9 | 3.9 | 8.0 | 14.0 | 1.3 | 2.7 | 74.5 | 6.0 | 5.8 | 55.3 | 5.1 | 5.3 |
| 1950-51 | 123.1 | 6.2 | 6.8 | 31.2 | 2.1 | 10.9 | 44.5 | 2.3 | 1.8 | 70.8 | 4.8 | 6.4 |
| 1951-52 | 97.0 | 7.2 | 6.5 | 87.2 | 4.1 | 2.0 | 34.1 | 2.5 | 1.9 | 95.6 | 4.5 | 3.0 |
| 1952-53 | 167.9 | 9.6 | 7.1 | 9.4 | 0.9 | 0.7 | 34.5 | 2.0 | 4.3 | 29.3 | 2.8 | 3.3 |
| 1953-54 | 111.4 | 6.7 | 4.9 | 13.1 | 1.0 | 1.7 | 29.0 | 1.7 | 3.0 | 37.0 | 2.7 | 4.2 |
| 1954-55 | 117.1 | 7.6 | 7.2 | 36.8 | 2.2 | 2.7 | 39.0 | 2.5 | 1.9 | 52.1 | 3.1 | 4.1 |
| 1955-56 | 173.0 | 11.1 | 7.7 | 45.2 | 2.7 | 1.2 | 24.5 | 1.6 | 1.5 | 46.9 | 2.9 | 3.8 |
| 1956-57 | 277.8 | 14.3 | 8.5 | 25.8 | 1.8 | 1.5 | 57.4 | 2.9 | 1.7 | 49.0 | 3.4 | 3.8 |
| 1957-58 | 205.4 | 12.6 | 7.5 | 47.6 | 3.0 | 2.2 | 23.7 | 1.4 | 1.8 | 46.8 | 2.9 | 3.8 |
| 1958-59 | 204.6 | 12.6 | 8.1 | 59.9 | 3.8 | 2.3 | 20.8 | 1.3 | 1.4 | 42.0 | 2.6 | 3.1 |
| 1959-60 | 269.3 | 14.4 | 7.7 | 83.1 | 4.5 | 3.6 | 33.2 | 1.8 | 1.6 | 36.4 | 2.0 | 3.5 |
| 1960-61 | 323.0 | 16.7 | 7.8 | 130.9 | 6.0 | 2.4 | 28.1 | 1.4 | 1.6 | 45.4 | 2.1 | 3.4 |
| 1961-62 | 373.8 | 17.3 | 7.7 | 99.0 | 5.6 | 2.8 | 50.6 | 2.3 | 2.1 | 32.2 | 1.8 | 2.7 |
| 1962-63 | 346.2 | 16.1 | 7.6 | 129.4 | 6.0 | 2.9 | 37.2 | 1.7 | 2.1 | 36.1 | 1.7 | 2.6 |
| 1963-64 | 487.8 | 17.5 | 7.3 | 162.5 | 6.9 | 3.5 | 35.4 | 1.3 | 1.5 | 34.6 | 1.5 | 2.2 |
| 1964-65 | 440.7 | 16.6 | 6.8 | 258.6 | 8.9 | 3.7 | 55.4 | 2.1 | 1.8 | 40.9 | 1.4 | 2.5 |
| 1965-66 | 471.4 | 17.3 | | 280.8 | 9.6 | | 27.4 | 1.0 | 1.7 | 35.0 | 1.2 | 2.2 |
| 1966-67† | 275.0 | 19.0 | | 143.0 | 9.6 | | 21.0 | 1.5 | | 15.0 | 1.0 | |

* Calendar years.

† First half.

Sources: Commonwealth Bureau of Census and Statistics, *Overseas Trade* (Canberra); Government of India, *Monthly Abstract of Statistics* (Delhi); Bank of Japan, *Economic Statistics of Japan* (Tokyo).

\$100 million in 1951-2 they declined to \$52 million in 1954-5 and to \$35 million last year when they represented about 1 per cent of Australian imports and 2 per cent of Indian exports. Australia now ranks eighth among India's export markets, India seventeenth among Australia's.

It is hardly surprising in view of this situation that trade with Japan has been at the centre of attention in Australia in recent years and has been much discussed and analysed.¹ Trade with India is practically never in the news and little has been written about it. I propose therefore to give a mere summary of the main facts about the former and devote most of the rest of this paper to the latter.

Australian-Japanese Trade

Japan and Australia are often called *natural* trading partners. Each produces most efficiently, and exports, those commodities which the other cannot produce so efficiently, and imports. This being the case, the most remarkable feature of Japanese-Australian economic relations over the years is their slow development and not their recent, rapid extension.² The factors which for long held back closer economic relations are clear enough.

Australia grew up within the British empire and trading system. Until World War II she remained strongly linked to Britain as her main market and main supplier of imports and capital. Japan was not only an outsider but a competitor against whom, during the 1930s, both British and domestic industries demanded protection in the Australian market. The war not only brought all Japanese-Australian trade to a stop but left an aftermath of political antagonism which, for some years, hampered a revival.

During the fifties, while Japan was increasing her purchases from Australia, Australian imports from Japan were strictly confined to a

¹ See, for example, K. Kojima, 'An Impression of the Oceanian Economy', *Economic Record*, vol. 40, Mar. 1964, pp. 46-57, 'Japan's Trade Policy', *Economic Record*, vol. 41, Mar. 1965, pp. 54-77, and 'Developing the Trade Partnership', Supplement on Japan, *Sydney Morning Herald*, 17 April 1967; P. Drysdale, 'Japanese-Australian Trade', in *Papers on Modern Japan* (Canberra, 1965), and 'Japanese-Australian Trade' (Ph.D. thesis, A.N.U., 1967); E. S. Crawcour, 'Japan's Economic Prospects in the Current World', *Australian Outlook*, Dec. 1962; J. G. Crawford, 'The Significance of Recent Developments in Asia for the Economic Future of Australia', *Economic Record*, vol. 37, Sept. 1961, pp. 273-93; H. W. Arndt, 'Observations on the Prospects for Japanese-Australian Trade', *Hitotsubashi Journal of Economics*, Feb. 1966; 'Australia and Japan: Trade Partners', *Three Banks Review*, Dec. 1965, pp. 3-18, and 'The Shift in Australian Exports from the United Kingdom to Japan', *Economic Record*, vol. 42, June 1966, pp. 321-6; also the papers of the Japan-Australia and Australia-Japan Business Co-operation Committees, Tokyo and Canberra, 1963-7.

² P. Drysdale, 'Japanese-Australian Trade', *Papers on Modern Japan*, p. 83.

limited range of 'essential' and non-competitive products.³ Japanese manufactures were discriminated against both in the administration of Australian import licensing and through the Australian tariff which denied Japan even MFN treatment. By 1956-7, when Japan was already Australia's second largest single export market and customer for wool, Australia took from Japan less than 2 per cent of her imports. Something had to be done, if only because Japan's sterling difficulties were liable to force her into restrictions on purchases from Australia.

A new era in Australian-Japanese trade relations opened with the Trade Agreement of 1957, under which Australia accorded Japan MFN treatment, with consequent reductions in tariffs and non-discrimination in import licensing. Japan in return granted freer access to her market to several of Australia's most important agricultural products and undertook not to impose a duty on wool. Australia retained the right, under Article 35 of GATT, to impose special quota restrictions on imports from Japan if they threatened serious injury to Australian manufacturers, while Japan agreed to exert voluntary restraint for the same purpose. Impelled by mutual interest, and thanks to the skill and goodwill with which difficulties were handled on both sides, the agreement rapidly overcame political prejudice and commercial fears in Australia. It was readily renewed in 1960 and again in 1963 when Australia took the further step of relinquishing the right to invoke Article 35 of GATT in return for further Japanese concessions to Australian exports.

Under the aegis of the trade agreement, much effort on both sides has gone into promoting trade and fostering closer relations. A Japanese-Australian Business Co-operation Committee has held conferences, alternately in Australia and Japan, to discuss outstanding problems. Ministers, businessmen, academics, journalists have exchanged visits. Trade fairs, trade journals, special supplements to newspapers have exhibited each country's wares in the other. While the initiative has come more often and forcefully from the Japanese side, Australian response has increasingly matched it in enthusiasm.

By far the most important new development of the last three years has been Japanese interest in the immense new mineral wealth discovered in Australia. The huge iron ore deposits in Western Australia are being developed largely for export to Japan under long-term contracts already totalling over \$3,000 million and with considerable participation of Japanese capital in joint ventures with American, British, and Australian interests. Japan is also actively interested in securing increased supplies of Australia's established

³ The following three paragraphs are taken from my article in the *Three Banks Review*.

mineral exports, such as coal, copper, lead, and zinc, and of new ones now in prospect, especially alumina, manganese, and perhaps uranium. Some Japanese capital is being invested in Australian manufacturing industries, partly in response to Australian prodding, as in the case of the motor car industry where higher tariffs on imports of completely built-up cars were imposed last year in order to induce Japanese manufacturers to move into local production. Another field in which joint Australian-Japanese ventures are being discussed is the economic development of New Guinea. Total Japanese investment in Australia is still modest, perhaps \$60 million. But it is certain to grow.

Japanese-Australian trade relations are not without their problems. The main theme of Japanese complaints, voiced at varying levels of sophistication, is the continuing imbalance of trade, Japanese purchases still running at almost twice the level of Japanese sales. The Japanese find it difficult to contain their impatience with Australian protectionist policies which, as recently in the case of motor cars and chemicals, hit out with higher tariffs at particularly successful Japanese exports and which have so far blocked Japanese entry into banking in Australia. The Australians counter with grumbles about Japanese protectionism, especially quota restrictions on imports of meat and dairy products. But these bickerings are all in the cause of still more trade and closer economic relations between the two countries.

The transformation of Japanese-Australian trade is summarised in Table 10.4. It is taken, with permission, from Drysdale's thesis and uses an analytical technique devised by him. The first half shows in row 1 what Australian exports to Japan would have been in each selected year had they been proportionate to Japan's share in world trade; row 2 shows what they would have been had Australian exports to Japan, commodity by commodity, been proportionate to each commodity's share in world trade; row 4 shows actual Australian exports to Japan. The difference between rows 1 and 2, therefore, reflects 'commodity bias', that is the extent to which Australian exports to Japan were favoured by disproportionate Japanese demand for the goods Australia exported. The difference between rows 2 and 4 (shown in row 3) reflects 'special country bias', that is the extent to which Australian exports to Japan were smaller or larger than this because Japan directed a disproportionate share of her purchases of each import commodity to Australia. The second half of the table presents the corresponding analysis of Japanese exports to Australia.

The basic complementarity of the two economies is revealed by the fact that throughout the period, and increasingly in the post-war years, 'commodity bias' favoured bilateral trade. The change in

TABLE 10.4 Summary Analysis of Japanese-Australian Trade, 1913-63
(\$US million)

| | 1913 | 1929 | 1937 | 1953 | 1959 | 1963 |
|--------------------------------------------------|------|------|------|-------|-------|-------|
| A. Japan's export trade with Australia | | | | | | |
| 1. Attributable to share in world trade | 6.4 | 21.6 | 17.1 | 20.0 | 55.5 | 85.9 |
| 2. Attributable to commodity bias in trade | 7.2 | 24.2 | 27.2 | 33.2 | 74.5 | 104.8 |
| 3. Attributable to special country bias in trade | -2.6 | -1.3 | -7.4 | -24.2 | 4.8 | 53.3 |
| 4. Total Japanese exports to Australia | 4.6 | 22.9 | 19.8 | 9.0 | 79.3 | 158.1 |
| B. Australia's export trade with Japan | | | | | | |
| 1. Attributable to share in world trade | 6.8 | 26.3 | 25.4 | 46.4 | 58.6 | 120.3 |
| 2. Attributable to commodity bias in trade | 3.9 | 36.6 | 46.5 | 75.2 | 113.7 | 231.0 |
| 3. Attributable to special country bias in trade | 3.1 | 19.5 | -8.4 | 66.2 | 155.9 | 266.0 |
| 4. Total Australian exports to Japan | 7.0 | 56.1 | 38.1 | 141.4 | 269.6 | 497.0 |

Source: P. Drysdale, *Japanese-Australian Trade* (Ph.D. thesis, A.N.U., 1967), pp. 260-1.

mutual trade policy is brought out by the large positive figures for trade in both directions from 1952 onwards attributable to 'special country bias'. In the case of Australian exports to Japan this was negative only during the 'trade diversion' episode in 1937.⁴ In the case of Australian imports from Japan it was still heavily negative in 1953 but then changed dramatically.

Australian-Indian Trade

No corresponding analysis for Australian-Indian trade is available, but Tables 10.5 and 10.6 provide a partial substitute.

Table 10.5 shows that the bulk of trade between the two countries in the early post-war years consisted of a few traditional export commodities—wheat, wool, milk, and zinc in the case of Australian exports to India, and bags and sacks, cotton and hessian piecegoods, tea, and vegetable oils in the case of Indian exports to Australia—and that this situation has remained essentially unchanged ever since. It also shows that change in 'commodity bias' is part of the explanation for the decline in Australian imports from India, though not for the decline in Indian imports from Australia: the share of India's four export products in Australian imports has

⁴ N. F. Hall, "'Trade Diversion"—an Australian Interlude', *Economica*, Feb. 1938.

TABLE 10.5 Role of Principal Commodities in Australian-Indian Trade

| | Share of Imports of each commodity in country's total imports | | Share of Imports from trading part- ner in total imports of each com- modity | |
|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------|----------------|------------------------------------------------------------------------------------------|----------------|
| | av. 1948-51 | av. 1960-63 | av. 1948-51 | av. 1960-63 |
| | % | % | % | % |
| A. Australian exports to India | | | | |
| Wheat and flour | 11.3 | 9.2 | 47 | 8 |
| Wool | 0.8 | 1.8 | 29 | 24 |
| Milk, etc. | 0.5 | 0.7 | 23 | 10 |
| Zinc | 0.9 | 0.8 | 7 | 20 |
| B. Indian exports to Australia | | | | |
| Bags and sacks | 2.4 | 1.1 | 100 | 52 |
| Cotton and hessian piecegoods | 6.3 | 4.2 | 18 | 16 |
| Tea | 2.0 | 1.3 | 24 | 11 |
| Vegetable oils | 0.4 | 0.5 | 49 | 15 |
| C. Share of four principal products in total trade | | | | |
| 1. Share of four principal Australian export commodities in Australian exports to India | | | 78 | 79 |
| 2. Share of four principal Indian export commodities in Australian imports from India | | | 88 | 74 |

Source: National trade statistics.

TABLE 10.6 Directions of India's Trade

| | Exports | | | Imports | | |
|--------------------------|---------|--------|--------|---------|--------|--------|
| | 1951-2 | 1960-1 | 1965-6 | 1951-2 | 1960-1 | 1965-6 |
| | % | % | % | % | % | % |
| United Kingdom | 25.9 | 26.1 | 18.1 | 17.6 | 19.1 | 10.7 |
| United States of America | 18.0 | 15.5 | 18.3 | 30.4 | 28.7 | 37.9 |
| Canada | 2.2 | 2.7 | 2.5 | 2.0 | 1.7 | 2.3 |
| Australia | 6.5 | 3.4 | 2.2 | 1.8 | 1.6 | 1.7 |
| Japan | 2.0 | 5.4 | 7.0 | 2.6 | 5.3 | 5.7 |
| Soviet bloc | 1.2 | 7.5 | 19.3 | 0.5 | 3.9 | 11.2 |
| Western Europe | 9.0 | 10.2 | 9.1 | 11.7 | 20.2 | 17.4 |
| Less developed countries | 35.6 | 26.2 | 23.0 | 33.4 | 17.6 | 13.4 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Department of Commercial Intelligence and Statistics, Calcutta.

declined, while Australia's four export commodities have more than held their own in Indian imports. Changes in 'special country bias', on the other hand, have worked against Australian-Indian trade in both directions: Australia's share in Indian imports of wheat, milk, and wool and India's share in Australian imports of tea, bags and sacks, and vegetable oils have both fallen off sharply.

Part of the explanation for these changes, in turn, is to be found in Table 10.6 which shows the great changes in the directions of Indian trade that have occurred in the past fifteen years. Both Indian exports and Indian imports have shifted away from the United Kingdom, the underdeveloped countries, and Australia towards the Soviet bloc, the United States, Japan, and Western Europe. Several factors have combined to produce this shift. One has been the effect of industrialisation in changing the emphasis in Indian imports of manufactures from consumer goods to capital equipment. A second, partly connected with the first, has been India's increasing dependence on loans and aid to finance her imports of capital equipment and foodstuffs. A third has been India's need, arising from her balance of payments difficulties, to take advantage of bilateral (rupee payment, etc.) facilities offered by the Soviet bloc and some other countries. A fourth has been rapid economic growth, and consequent expansion of markets, for some of India's traditional export products, in Japan and the Soviet bloc.

All these factors have been, in varying degree, adverse to Australian exports to India. Australia is not yet a significant exporter of heavy industrial products. 'Machinery and machines' increasingly figure among Australian exports to India but last year sales were still well under \$1 million. This is probably the field with the best future prospects for expansion of Australian exports to India. But the concentration of Indian import demand on capital equipment in the past fifteen years has clearly not favoured trade with Australia.

India's dependence on credit and aid to finance a high proportion of her imports has operated in the same direction. Australia has been a not insignificant aid donor to India.⁵ Indeed, the exports of milk, flour, and wheat which in several years have swelled the statistics of Australian exports to India have been gifts. But even in the field of food aid Australia's role has been dwarfed by that of the United States; the huge volumes of PL480 assistance largely account for the fall of Australia's share in Indian wheat imports. More important, Australia's aid to developing countries including India has consisted exclusively of grants, not loans. This has been a matter of deliberate policy. The Australian government has taken

⁵ See Chapter 12.

the view that loans, by saddling the recipient countries with debt problems, are in the long run a dubious proposition to recipient and donor countries alike, a view which India's current financial troubles do much to bear out. But \$10 million looks a lot more as the aid component of a soft loan than as an outright grant; and if the loan is tied it exerts more leverage for export promotion. Australia's purist attitude has put her at a considerable disadvantage as a supplier of Indian imports and has come increasingly under fire even in Australia as Australian export interests shift from primary products towards manufactures.

India has naturally favoured countries willing to supply capital equipment and other industrial products on credit, medium or long-term government loans and in some cases supplier's credit. Most of this credit has in any case been more or less tied to purchases from the lending country. Indian import licensing has discriminated, and still discriminates, explicitly in favour of lending countries, much to the chagrin of Australia who complains that her grant aid deserves to be taken into account. Australian manufacturers have reasonable access to export finance enabling them under EPIC guarantee to supply goods on medium-term credit, and there is no evidence that inability to compete in this respect is an important obstacle to expansion of exports to India. But such credit does not count for much against the huge volume of tied government loans to India.

Another important influence on export competition among industrial countries in the Indian market is direct private investment. After being for many years suspicious of all such investment, India has recently adopted a more welcoming policy, especially where foreign companies link up with Indian government or private enterprise in joint ventures. Here, too, Australia is naturally well behind in the race. A dozen or so Australian manufacturing companies are believed to be operating in India, quite a high proportion of the modest volume so far attained by Australian direct investment abroad. But only one of these, the Repco subsidiary making motor car parts in Madras, is known to be operating on a substantial scale. Just now there appears to be hardly a flicker of interest in such ventures in India among Australian manufacturers. India's economic, financial, and political troubles, especially the war with Pakistan, have made Australian businessmen wary. Those who in principle are prepared to venture abroad are too preoccupied with what seem exciting new prospects in Indonesia to give India any thought.

The issue of grant aid versus loans to developing countries is very much a battleground between the Treasury and the Department of Trade and Industry in Australia. There are signs that the Treasury

is softening its rigid stand, not least in relation to Australian private investment abroad. But any effect this may have on Australian trade with India is bound to be marginal and lies in the future.

By far the largest gains in the Indian market were achieved during the fifties and early sixties by the U.S.S.R. and other countries of the Soviet bloc. They resulted not only from the ability of the Communist countries to supply capital goods and loans, but also from their willingness to enter into bilateral payments arrangements under which India could pay for imports in the first instance in rupees and, more generally, from India's preference during this period for government-to-government trading.⁶ The falling off in Australian exports of milk products to India since the early fifties occurred mainly because India shifted to rupee-payment sources of supply. In other ways, too, Australian exports to India have been held back by Australian reluctance to engage in direct government trading or to conclude long-term contracts. Discussions of a scheme for the establishment of a zinc smelter in India under Australian-Indian joint venture arrangements, for instance, are understood to have bogged down over Australian unwillingness to guarantee supplies of zinc for a fifteen-year period. The recent change in India towards a more liberal trading policy promises to reduce the obstacles to Australian-Indian trade which have arisen from the heavy hand of government in India's foreign trade.⁷

The other leg of Australian-Indian trade, Indian exports to Australia, has probably also suffered from the general malaise of Indian export policy to which reference has just been made and which is now widely acknowledged in India. It is believed in Australia that, with more energetic and skilful marketing, India could have gained a larger share in the Australian market for some of her export commodities, such as tobacco. But by far the most important

⁶ Sunanda Sen, *India's Bilateral Payments and Trade Agreements* (Calcutta, 1965); see also Manmohan Singh, *India's Export Trends* (Oxford, 1964); Economist Intelligence Unit, *The State Trading Corporation: A Report on India's Export Performance* (Bombay, 1961).

⁷ The sorts of difficulties that have sometimes occurred through bureaucratic control of Indian foreign trade are illustrated by an Australian aid project, the Revolving Wool Fund. In order to assist Indian woollen manufacturers who have had trouble in meeting export orders promptly because of lack of stocks of wool in India, Australia agreed last year to donate 4 million pounds of wool to be used as a revolving fund, i.e. to be replenished by new purchases from Australia as Indian manufacturers purchased from the initial stock. The first million pounds was shipped to India in October 1966, but by April of this year virtually no purchases had been made by Indian manufacturers. One reason appears to have been that with import licensing liberalisation manufacturers found it easier to obtain supplies through ordinary channels. But they also complained that the State Trading Commission had given Australia inappropriate specifications of the grades of wool needed and was pricing the Australian wool out of the market by adding a variety of charges and commissions.

obstacle here has been, and remains, Australia's policy of tariff protection for her own textile and other older manufacturing industries.

Australia, in this respect, is in good—or rather bad—company. She shares with all the major industrial countries the problem of adjustment in the structure of industry presented by the survival from an earlier stage of development of relatively labour-intensive industries which are less and less competitive with those of industrialising but still relatively low-wage countries, like India, China, Pakistan, Hong Kong, Singapore, Taiwan, and Korea. Australia, still at a somewhat earlier stage of industrial development and long devoted to a policy of protecting every employment-giving manufacturer who could demonstrate to the Tariff Board that his high costs were not his own fault, has this problem in unusual degree and is beginning to wrestle with it. As Sir Leslie Melville recently pointed out,

Our record in the treatment of products from Asian countries to whom we hope to sell has not been a good one. There has been no formal discrimination apart from Commonwealth preference; however, by means of specific duties and sliding-scale tariffs and the recently-introduced support prices which have imposed increasing *ad valorem* duties against low priced imports, there has been discrimination against cheap imports. It will often be found that these cheap imports come from Asian countries, usually Japan, but sometimes underdeveloped countries such as India.⁸

Last year Australia was the first developed country to introduce, off its own bat, a scheme of tariff preferences for exports of manufactures of less developed countries. In its original form the scheme was exceedingly modest, limited to a selected list of commodities and circumscribed by tariff quotas totalling in all some \$12 million and, in the case of textiles and one or two other more competitive products, specifically excluding Hong Kong and in one instance India. Moreover, as the government was perhaps too anxious to emphasise with an eye to its domestic audience, the scheme was carefully tailored to improve the ability of less developed countries to compete in the Australian market with other industrial countries but not with domestic Australian manufacturers.

In May of this year, having received the GATT imprimatur, the scheme was extended to a wider range of commodities, increasing the total value of the tariff quotas by a further \$6 million. Most handicraft products of Asian countries were completely exempted from duties. This, and other features of the extension, including the

⁸ Sir Leslie Melville, 'Tariff Policy', *Economic Record*, vol. 43, June 1967, p. 205.

addition to the preferential list of up to \$3 million worth of cotton piecegoods, have been designed to be of special benefit to India.

Even in its extended form the Australian less-developed countries (LDC) preferences scheme is but a modest step. But it is a step in the right direction and its significance is perhaps greater than meets the eye for two reasons. First, Australia has given to the more important industrial countries a lead which some of them, including, it now seems, even the United States, may yet agree to follow, despite the undoubted difficulties to which a wholesale extension of multilateral preferences is liable to give rise.⁹ Secondly, in the narrower context of Australian policy, not least *vis-à-vis* India, a start has been made. Just as Australian business interests got over many of their fears of Japanese competition in the years following the trade agreement of 1957, so the LDC Preferences Scheme may be capable of considerable further extension in the next few years without running into too much domestic political trouble, thus widening the Australian market for Indian and other industrial exports.

There is as yet no trade agreement between Australia and India, although formal trade talks have been held from time to time. The last such occasion was during a visit to New Delhi by the Australian Minister for Trade and Industry, Mr J. McEwen, in November 1965. With a new look in Indian trade policy and increased consciousness in Australia of the trade needs of developing countries and their implications for Australia, the time may soon be ripe for new formal contacts between the two governments.

Conclusion

This paper has concentrated on Australia's trade with Japan, on the one hand, and with India, on the other. The third side of the triangle has been left to Mr Okita and Professor Lakdawala. The main theme has been the great contrast between Japan and India as trade partners in the present phase of economic development of the three countries. The contrast, especially between the largely complementary character of Australia and Japan's trade and the more competitive character of Australia and India's trade, is deeply rooted in the present economic structure of the three countries and will not change quickly. But even this basic gap will narrow. With further economic development, an increasing proportion of the trade of all three countries will consist of trade in manufactures offering scope for specialisation and mutual exchange of the sort that already characterises most of the trade among the advanced industrial countries. To some extent, the stagnation in Australian-Indian

⁹ Cf. H. G. Johnson, *Economic Policies Toward Less Developed Countries* (Washington, 1967), ch. VI; also H. W. Arndt, 'Australia—Developed, Developing or Midway?', *Economic Record*, vol. 41, Sept. 1965, pp. 328-30.

trade, which contrasts so sharply with the flourishing progress in Australian-Japanese trade, reflects a failure of policy on both sides. In both countries, recent changes in outlook hold out a promise of improvement.

Standing a little further back and looking at the wider economic relations between the three countries, one finds the divisions and communities of interest not so one-sided. In some fields—iron ore is at present rather a sore case in point—Australia and India compete in the Japanese market. But Australia and India share a measure of anxiety for their domestic industries from tough Japanese competition and, beyond this, the faint fears of Japanese economic dominance which are in the minds of people in most of the smaller countries in this part of the world. *Vis-à-vis* India, Japan and Australia have a common concern as past and future donors of aid, including technical assistance, and as potential sources of private direct investment in Indian industrial development, conceivably in some cases in the form of bilateral or even triangular joint ventures.

Finally, there are areas of economic policy where the interests of all three countries coincide and where there is scope for mutual co-operation between all three. Anything as ambitious as a Pacific Common Market is hardly practical politics in either Australia or India, for reasons which this paper has perhaps incidentally illustrated.¹⁰ And get-togethers of businessmen in periodic meetings of Pacific Basin Co-operation Committees, while all to the good when the economic foundations for intensive mutual trade exist, may not rate a very high priority in Indian eyes in her present troubles. But Japan, India, and Australia are the three most weighty countries in the ECAFE region—this presumably is the rationale of the 'Tripod' idea. Between them lies the region of Southeast Asia in whose economic prosperity and development all three have a common interest. Their co-operation in the Mekong River and Asian Highway projects of ECAFE, in the establishment of the Asian Development Bank, and in recent emergency aid to Indonesia illustrates how this common interest can find practical expression.

India, despite all her own needs, is playing an increasingly important role as a supplier of technical assistance experts to smaller developing countries. Australia has outstanding expertise in some specialisms of great importance to the developing countries of Southeast Asia, especially in agricultural technology, economics and extension. Japan has even more expertise and know-how in industry. The International Rice Research Institute at Los Banos in

¹⁰ For a more optimistic view, see K. Kojima, 'A Pacific Economic Community and Asian Developing Countries', *Hitotsubashi Journal of Economics*, June 1966. For a comment on Professor Kojima's plan, see my note, 'PAFTA: An Australian Assessment', *Intereconomics*, Hamburg, Oct. 1967.

which Japan and India are represented, and the SEANZA Central Banking School in which the central banks of all three countries have co-operated for ten years, are examples of sensible ways in which co-operation in technical assistance can be organised. There should be more of it.

DISCUSSION

Professor Arndt said that his paper focused on the inequality of Japan and India as trade partners. Australia and Japan were largely complementary in trade, Australia and India more competitive, although there were such elements as textiles in India's exports and foodstuffs in her imports which might provide some complementarity under different circumstances from the present. He then outlined the conditions of Australian-Japanese and Australian-Indian trade as set out in his paper, and indicated some of the outstanding difficulties of the situation of India.

A Japanese participant cast some doubt on whether complementarity and competition were so marked in Australia's trade with Japan and India respectively as Professor Arndt had suggested. If India developed the export of labour-intensive goods, she might prove more complementary, whereas if Japan and Australia both continued to produce capital goods they might become more competitive. There was a sense in which Australia faced competition from both developed and underdeveloped economies, because of the range of her production. We could not say definitely that the contrast between complementarity and competition would continue. So far as Japan's situation was concerned, the present increase in imports of raw materials might cause Japan to seek what might ultimately prove cheaper, the import of semi-finished goods (e.g. iron), which had received their first processing in the countries from which raw materials (e.g. iron ore) were now being drawn. The schemes for Pacific co-operation suggested by such Japanese economists as Professor Kojima could be regarded with some scepticism, but they might prove useful in righting the balance against Atlantic schemes, which had been much further developed.

In reply, Professor Arndt agreed that the antithesis between complementarity and competition could be overstated, but the prospects for large Australian mineral exports would increase; they would draw Australia even closer to Japan and farther from India. Japan would certainly keep on importing raw materials, even if there was a move, as suggested, towards importing more semi-finished goods. There might be scope for Indian exports of labour-

intensive goods to Australia, but this would depend on the extent to which the Australian 'tail' of protected labour-intensive industries was able to resist a reduction of tariffs.

Another Australian participant suggested some additional points to those made by Professor Arndt. As between India and Japan, he suggested, India's dependence on trade was always likely to be less than Japan's. India was unlikely to be a great market for Australia; in any case, India's balance of payments problem had imposed restrictions preventing a free flow of such Australian goods as processed foods to the Indian market. The flow of food grains was also governed by the balance of payments problem, apart from gifts. (In Japan, in contrast, the market for processed foods from Australia was progressively opening up.) Indian imports did, however, include a wide range of capital goods, some of which could be provided by Australia if the whole pattern of Indian imports was not governed by the tied-loan character of the assistance given to India by other countries. In exports, India had certain opportunities, as in light engineering, but textile exports were sluggish and were easily discouraged by Western restrictions. India could not become a Japan in external trade.

Discussion followed on the apparent reluctance of the wealthy countries to embark on joint ventures in India. Professor Arndt said that until recently India had not encouraged the entry of private equity capital. Apart from this, there had been difficulty in finding suitable partners (especially since much Indian industry was government-owned), and also doubts about profitability. Another Australian added that some progress had been made in joint ventures (e.g. by the Australian firm Repco in Madras), but there had been bureaucratic difficulties such as the need not only for import licences but also for licences to build factories and extensions, which might double the time taken to establish a plant. Also, the Indian policy on the public sector had often been interpreted as requiring a permanent government holding in each enterprise. The general climate for private investment was now improving. A Japanese participant said that the motives for Japanese investment abroad were usually to secure raw materials and to provide markets for manufactured goods. When obstacles lay in the way of imports, the practice was to set up joint ventures to enable Japan to export semi-finished goods. Japanese complaints about investment in India related largely to import licensing difficulties in getting raw materials. It was explained from an Indian quarter that this was due to India's balance of payments problem and to the Indian feeling that Japanese firms should not import solely Japanese components. Another Indian suggestion, that external investors were worried about possible Indian competition if they invested in Indian indus-

try, was not regarded by a Japanese participant as serious in the case of the Japanese, who were said to be reconciled to being superseded by countries with better resources for labour-intensive industries. There were some extreme cases (for example Japanese reluctance to allow artificial pearl industries to be set up elsewhere), but generally Japan welcomed the opportunity to export machinery to new industries.

Attention turned to the costs of Indian industry. There was a Japanese suggestion that Indian cost-consciousness was low. For example, India had taxed the relatively efficient cotton industry in favour of cottage industry; Pakistan had done better in this respect. The Indian answer was that even where there was consciousness of costs they were difficult to reduce. Social conditions, especially the attitude of many Indian workers, were antipathetic to any reduction. It was also stated by an Australian that Indian management often multiplied staffs in offices and did not encourage contact with manual labour. Some reference was also made to Indian attitudes towards export, in the context of the Indian model of economic planning, which until recently, it was said, had been that of the Soviet Union, which gave little emphasis to foreign trade. In addition, planning for exports was much more difficult than planning for domestic development, to which more attention had been given. Often, in planning, it had been assumed that foreign aid would cover a balance of payments deficit, not that exports must be increased to meet it.

Finally, there was some discussion amongst Australians as to whether there was any feeling in Australia (and specifically in the Australian government) that the economy should be shaped to fit into an Asian context, that is whether economic capacity should be made to serve political purposes. Signs included Mr Hasluck's taking business leaders with him to Indonesia, the LDC preference scheme adopted by Australia, and the investment insurance arrangements under EPIC. But it was asked whether there was any sense of an Asian policy when the Tariff Board determined questions involving imports from India, Japan, Hong Kong, and other Asian countries. It was suggested that some such signs existed in regard to encouragement of investment in Malaysia, though not necessarily elsewhere. The sensitive area was import policy, not investment policy, however. Here there were some signs, but they were few. Cotton growing, for example, was still enjoying bounties originally imposed when it had been established on a much less favourable footing. On textile imports, there was strong resistance by the Australian industry, but some recognition that there should be a single tariff rather than a series of emergency duties which persisted as permanent obstacles to imports from Asia.

India's Economic Needs

*D. T. Lakdawala**

The economic needs of India have been largely the cause as well as the result of its plans for rapid economic development. These have found their expression in the Five-Year Plans which have largely been need-based. The targets of the Plans have given a concrete shape to the Indian aspirations for economic betterment and passed a sort of technical verdict on their feasibility. A stamp of national approval has thereby been placed on the vaguely-felt desires of the people. By being variously repeated the aims of the Plans acquire the character of national desiredness. The gap between the achievements during the Plan period and its goals becomes a measure of unfulfilled needs. Such a gap also creates another problem, that of sectoral imbalances. Rapid economic development, when it has to be accompanied by stringent import control, may create various gaps between demand and supply. An excess of domestic investment over domestic savings and long-term capital imports brought about through deficit financing and undue credit expansion to the private sector will result in a shortage of consumption goods and pressure on the balance of payments; attempted to be corrected, it will result in an excess capacity in capital goods industries. Even if the overall balance of the national economy is maintained, the various sectors of the economy may not grow in unison as required by the demand elasticities, either because of errors in forecasts which can be corrected, or because of technical supply limitations, or for other reasons. If the actual growth is very different from that planned, the chances of discrepancies in sectoral growth rates are likely to increase. The distinction between unfulfilled needs and excess demand at current prices is conceptually important but extremely difficult to draw in practice, for the latter intrudes on one's attention even more than the former. In what follows an attempt will be made to distinguish between the two. Emphasis will natur-

* My grateful thanks are due to my colleague, Dr R. H. Patil, who greatly helped me in the preparation of this paper.

ally be placed on those needs where foreign co-operation and goodwill can help.

Strategy, Targets, and Achievements

The First Five-Year Plan was more or less a collection of projects that were already under consideration or execution. It was mainly intended to tide over the immediate difficulties of the economy like the food shortage and restoration of pre-war standard of living which had been lowered as a result of the disruption of the war and partitioning of the country, and also to lay a sound base for more orderly future development. Formulation of a strategy of economic development and actual steps in that direction were taken from the beginning of the Second Plan initiated in 1956-7. This strategy aimed at having a self-reliant economy that would increasingly depend less on the foreign trade sector for capital goods that would be required for cumulatively expanding investment programs to be undertaken in the years to come. With this objective in mind, the Second Plan embarked on an ambitious program of investment in steel mills, machine tools and heavy machinery building, cement and sugar machinery, etc. It relied mainly on the small-scale sector for provision of consumption goods.

In the beginning of the Second Plan, the situation was apparently quite favourable for embarking on such a program. The relative scarcity of food had already been overcome, and by the end of the First Plan, that is 1955-6, the economy faced an unusual situation of falling agricultural prices. Though this trend was mainly due to the exceptionally favourable weather conditions for two successive years, the planning authorities were led to believe that the economy was out of the wood, at least in the sphere of agriculture, and that they could devote a relatively larger amount of resources for capital-building programs mentioned earlier. But the 1957-8 year turned out to be a bad one for agriculture. The establishment of heavy industries needed much larger imports than those planned for, and, in the absence of proper phasing and adequate watch on the import licences issued, there was a precipitous decline in foreign exchange reserves accumulated during the war period. The middle period of the Second Plan initiated a new era of increasing foreign trade and payments restrictions, and the horizon of a relatively liberalised import program appeared to have receded to an unknown distance. The Plan had to be hurriedly recast and the hard core only was sought to be rescued at one stage.

The overall achievements of the first two Plans were, however, significant. As against the target of 11 per cent increase in national income, the achievement of the First Plan was as high as 18 per cent. The Second Plan aimed at a target of 25 per cent increase in

national income but achieved a 20 per cent rise. While the net investment as a percentage of national income rose from 5 per cent in 1950-1 to 11 per cent in 1960-1, domestic savings increased from 5 to 8.5 per cent. However, many of the problems facing the planners today, like insufficiency of food production, foreign exchange scarcity, etc., were manifest even then. The overall economic conditions observed at the conclusion of the Second Plan gave a shock to the planners. The complacency of the planners at the time of framing of the Second Plan in respect of the foreign trade and agricultural sectors may be contrasted with the emphasis given in the Third Plan to the program of self-sufficiency in foodgrains and other agricultural raw materials, and the need for expanding India's exports at a rapid rate.

It may, however, be noted that there does not appear to be a radical departure in the Third Plan from the strategy of the Plan adopted in the framework of the Second Plan. In terms of percentage of resources devoted to agriculture, irrigation, and community development in the Second and the Third Plans, there is no major shift, since about the same, that is 20 per cent, of the total plan expenditure was devoted to these sectors in the two Plans. But in terms of the absolute outlay on agriculture and the related sectors, there was a near doubling of it, and the relatively sharp shift in priorities as between the First Plan and the Second Plan was almost halted in the Third Plan frame. In the First Plan, the share of agriculture, including irrigation and community development, was over 32 per cent, whereas that of organised industry only 4 per cent. In the Second Plan, almost equal emphasis was given to organised industry and agriculture. In the Third Plan, investment expenditure in organised industry was about 5 per cent higher than in agriculture.

The Third Plan was expected to be 'the first stage of a decade or more of intensive development leading to a self-reliant and self-generating economy'. When it was launched, even the ardent critics of the Second Plan framework hoped that it would prove to be a success, as it had given good attention to investment in agriculture and irrigation. Now there is a general feeling in the country that the Third Plan, though it has achieved its investment targets, has been even less successful than the Second Plan. However, the reasons for the failure of the Third Plan are not mainly due to faulty implementation or a misconceived strategy of investment. The Third Plan period has been a period of crisis for India. The Chinese aggression in 1962, the confrontation with Pakistan in 1965, two continuous years of drought, and the suspension of the aid program following the Indo-Pakistani war, put considerable strain on the Indian economy. Large amounts of resources have been spent on defence and

drought relief. In 1962-3 and 1963-4 increments in defence expenditure absorbed respectively more than 15 and 17 per cent of the increments in national income. However, these figures have come down to 9 and 9.6 per cent respectively for 1964-5 and 1965-6. Though the Third Plan investment program of Rs. 104 billion has been slightly over-fulfilled in terms of monetary outlay, the real performance was much less as prices rose by almost 40 per cent during the Plan period. In this context, it would not be out of the way if we briefly discuss the evolution of thinking on the perspective of development.

A study of the evolution of thinking of the planners on the perspective of development under planning is an interesting story by itself. The era of the First and the Second Plans was characterised by a high degree of optimism and assurance. The periods of the Third and the Fourth Plans have been, on the contrary, periods of increasing caution, sobriety, and pragmatism. On certain assumptions of population growth, investment outlay, income generation and plough-back of increased income into investments, it was envisaged at the time the First Plan was framed that national income would double by 1970-1 and *per capita* income by 1977-8. Due to the over-fulfilment of the First Plan targets, the Second Plan visualised that national income could be doubled by 1967-8 and *per capita* income by 1973-4. As noted already, the Second Plan did not succeed as well as was expected. Secondly, one of the basic parameters of the long-range program of development—the rate of growth of population—did not prove to be correct. As against the expected growth of population of 12.5 and 13.3 per cent for the decade of 1951-60 by the First and the Second Plan, the actual figure turned out to be about 21 per cent.

The Third Plan visualised that national income (at 1960-1 prices) should rise from Rs. 145 billion at the Second Plan year to Rs. 190 billion by 1965-6, Rs. 250 billion by 1970-1, and about Rs. 330-340 billion by 1975-6. However, national income in 1965-6 was only Rs. 159.3 billion as against the target of Rs. 190 billion. Considering the fact that 1965-6 was an abnormal year, we may take the national income figure of Rs. 166.3 billion for 1964-5, which again was lower by Rs. 11 billion than its Third Plan target for that year. According to preliminary estimates, the growth of national income during the Third Plan period has been less than 14 per cent. Because of the rapid rate of growth of population, increase in *per capita* income over this period has been only 1.7 per cent. As against the target of 30 per cent, there was only 11 per cent increase in agricultural production. Performance of the industrial sector was relatively better with an increase of 39 per cent as compared with the target of 70 per cent.

In spite of all the deficiencies of the three Five-Year Plans, their overall achievements have been noteworthy. Between 1950-1 and 1964-5, net national income increased from Rs. 98.5 billion to 166.3 billion (at 1960-1 prices), showing a compound rate of growth of 3.8 per cent per annum. This performance, when compared with less than 1 per cent per annum growth in the pre-planning period, is quite appreciable. It has been frequently noted in the recent discussion of Indian planning that the rate of growth of the agricultural sector has been extremely disappointing. But here again it may be noted that, between 1950-1 and 1964-5, incomes of the agricultural sector increased at an annual compound rate of 3 per cent.

Gaps in Achievements

Performance of the three Plans has not been uniform in different sectors and in different products of the same sector. It will be convenient here to take 1950-1 as the base period for comparison and to show the varied performance of different sectors and sub-sectors.

AGRICULTURE

Production of foodgrains increased from about 55 million to 89 million tonnes by 1964-5, showing 62 per cent overall rise. However, food production fell steeply in 1965-6 to less than 73 million tonnes. Cotton and jute increased from their respective base year production figures of 2.6 million and 3.5 million bales to 5.4 million and 6 million bales in 1964-5; in 1965-6, the production of these commodities declined by 13 and 25 per cent respectively. These few figures indicate that, though the impact of planned investments has been significant in the agricultural sector, the influence of weather on the agricultural sector, which contributes around 42 per cent of national income, has been rather strong.

An interesting aspect of increases in agricultural production is that area under crops and yield per acre both increased by about 21 per cent by 1964-5. The relatively slow growth of agricultural productivity in India has been due to the disappointing rate of technical progress in this sector. The inputs necessary to bring about desirable changes in the methods of production have been found to be inadequate in relation to their requirements; the different optimum input combinations that research only could reveal were yet unknown in many cases. For a country like India where weather plays a highly disturbing role, it is desirable to assure an adequate supply of water that should be tapped from all sources. The total net irrigated area between 1950-1 and 1962-3 has gone up from 52 million to only about 64 million acres. Though irrigation facilities cannot generally alleviate the distress due to scanty rains, they can at least ensure proper timely distribution of water for those

years with a normal quantum of rain. International comparisons are not always helpful for drawing conclusions, but the fact is that in India use of chemical fertilisers is very meagre. Utilisation of chemical fertilisers in India per hectare in 1963-4 was only 3·4 kg as against that in Japan of 257·4 kg, and in Taiwan of 208·2 kg. Not only has the total supply of fertilisers been meagre for such a big country as India, but much of it has come only by way of imports. In 1966-7, out of the total availability of nitrogenous fertilisers of 0·95 million tonnes, imports were responsible for more than 67 per cent of the total supply.

It has often been said that no feasible productive agricultural schemes have been allowed to remain unexecuted because of lack of funds. Whatever the truth in this statement now, earlier it was far from true. The agricultural target was substantially raised in the Second Five-Year Plan at the last stages, but the resources to be devoted were not increased at all. In 1958-9, the resources crisis of the Second Plan compelled some re-thinking in the plan expenditure for different sectors. It was found necessary to divide the Plan into two parts. The hard core of this Plan included projects which were given highest priority, and the other part included projects with lower priority. It was only after considerable heated controversy that investments in fertiliser projects were included in the hard core. The famous Planning Commission document of 1958—'Appraisal and Prospects of the Second Five-Year Plan'—that was instrumental largely in giving birth to the hard and soft cores of the Second Plan, in its attempts to reallocate plan outlay for different sectors, considered 'Industry and Minerals' as a sacrosanct aspect of the Plan and reduced plan outlay for such sectors as irrigation and community development. In fact, it raised the plan outlay for industry and minerals from Rs. 6·9 billion to Rs. 8·8 billion. Unfortunately, even today, in spite of the acceptance of the fertiliser program as having top priority in the Fourth Plan, the government has not done enough in the field.

The increase in population, greater urbanisation, larger *per capita* incomes, and less urgent demand for cash in the rural sector have so changed the demand-supply situation in foodgrains that, in spite of progress in the agricultural sector, even in a normal year, the demand for foodgrains has exceeded its supply. The result has been an almost constant increase in foodgrains prices and imports. Even in a relatively normal year like 1964-5, imports of foodgrains amounted to more than Rs. 3 billion, which works out to more than 21 per cent of imports during the year. While total imports in 1965-6 rose by about 3 per cent over the previous year's figures, imports of cereals increased from about 7·5 million tonnes to 10·3 million tonnes. In 1966-7, food imports increased rapidly and a large chunk

of foreign assistance was devoted to them apart from the free foreign exchange expenditure of \$US239 million diverted to commercial purchases and freight charges on food shipments. Thus the economy is relying increasingly on external supplies of food with their consequential uncertainties and loss of foreign exchange. In spite of all these large imports, *per capita* availability of foodgrains has increased only by a negligible margin. In 1951, *per capita* availability of foodgrains was 13·9 oz, and in 1966 it rose to only 14·2 as compared to the figure of 16·4 oz for 1961. Thus, over the Third Plan period, *per capita* availability of foodgrains has actually declined (see Table 11.1) without any compensating increases in availability of other foods. This is a very serious failure for a country starting from semi-starvation levels.

The importance of interrelatedness between the agricultural and the industrial sectors was recognised, to some extent, even in the Second Plan that gave major emphasis to the growth of capital goods industries. The Second Plan document mentions that its agricultural programmes are intended to provide adequate food to support the increased population and the raw materials needed for a growing industrial economy and also to make available larger

TABLE 11.1 Population and Net Availability of Cereals and Pulses

| Year | Popula- tion (M.) | Net im- ports of cereals (M. tonnes) | <i>Per capita</i> net availability | | |
|-------|-------------------------|--------------------------------------------------|------------------------------------|----------------|---------------|
| | | | Cereals (oz) | Pulses (oz) | Total (oz) |
| 1951 | 363·4 | 4·80 | 11·8 | 2·1 | 13·9 |
| 1952 | 369·6 | 3·93 | 11·5 | 2·1 | 13·6 |
| 1953 | 376·1 | 2·04 | 12·3 | 2·2 | 14·5 |
| 1954 | 382·9 | 0·83 | 13·6 | 2·5 | 16·1 |
| 1955 | 390·2 | 0·60 | 13·1 | 2·5 | 15·6 |
| 1956 | 397·8 | 1·40 | 12·7 | 2·5 | 14·9 |
| 1957 | 405·8 | 3·63 | 13·2 | 2·5 | 15·7 |
| 1958 | 414·3 | 3·22 | 12·3 | 2·1 | 14·4 |
| 1959 | 423·3 | 3·86 | 13·8 | 2·6 | 16·4 |
| 1960 | 432·7 | 5·13 | 13·5 | 2·3 | 15·8 |
| 1961 | 442·7 | 3·49 | 14·0 | 2·4 | 16·4 |
| 1962 | 453·5 | 3·64 | 14·1 | 2·2 | 16·3 |
| 1963* | 464·3 | 4·55 | 13·1 | 2·1 | 15·2 |
| 1964* | 475·5 | 6·26 | 14·0 | 1·8 | 15·8 |
| 1965* | 487·0 | 7·45 | 14·6 | 2·2 | 16·8 |
| 1966* | 498·9 | 10·34 | 12·5 | 1·7 | 14·2 |

* Provisional population figures relate to mid-year revised estimates. These estimates have been prepared by the Office of the Registrar-General of India.

Source: Government of India: *Economic Survey, 1966-67*, Appendix, Statistical Table 1.5.

exportable surpluses of agricultural commodities' (p. 259). The Third Plan document shows a greater awareness of the determining role of agriculture when it says: 'Experience in the two Plans and especially in the Second has shown that the rate of growth in agricultural production is one of the main limiting factors in the progress of the Indian economy' (p. 49). In practice, however, there was not a proper synthesis between objectives and planned measures. For instance, as against the Third Plan targets of 100 million tonnes for foodgrains, 7 million and 6.2 million bales respectively for cotton and jute, and 7 million tonnes for oilseeds, the realised figures are respectively 72.3 million tonnes, 5.4 million and 4.5 million bales, and 7.5 million tonnes. The Plans have thus not only failed to meet internal demand for a number of agricultural products, but they have not been able to create the necessary exportable surpluses of such important products as oilseeds, for which international markets have shown promising opportunities. Jute and cotton exports have also been occasionally hampered by domestic shortages. The last two years have shown that short-falls in the agricultural sector can bring the economy to a grinding halt and create an atmosphere of uncertainty, so inimical to the growth process which is nurtured in a climate of promise for the future.

INDUSTRY

On the side of industry, the performance has been relatively more impressive. Between 1951 and 1965, industrial production has increased by about 146 per cent. The installed capacity of electricity generation increased from 2.3 million kW in 1950-1 to about 10.2 million kW by 1965-6. During the same period, the production of steel and aluminium increased from 1,040 and 4,000 tons to 4,600 and 65,000 tons respectively. The production of machine tools in value increased from Rs. 3 million to Rs. 230 million, and that of the number of automobiles from 16.5 to 68.5 thousand. Because of the differential growth rates for different products, there has been a significant structural change in the manufacturing sector. In 1950-1, the production of consumer goods accounted for two-thirds of the value of industrial production; by 1965-6 its share had declined to one-third. Intermediate goods occupied pride of place, accounting for two-fifths. The production of consumer goods, intermediate goods, machinery, and other goods increased between 1950-1 and 1965-6 at the respective divergent percentage rates of 87, 593, 922, and 232. The industrial situation has, since the middle of the Second Plan, been marked by excess capacity, largely due to shortage of foreign exchange. More recently, the slackening of investment demand, coupled with excess expansion of certain lines, has

TABLE 11.2 Value Added in Manufacturing Industry
(Rs. crores in 1960-1 prices)

| Industries | 1950-1 | 1960-1 | 1964-5 | 1965-6 | % increase between 1950-1 and 1965-6 |
|--------------------|------------------|-----------------|-----------------|-----------------|-----------------------------------------------|
| Consumer goods | 260.7 (67.85) | 423.7 (45.7) | 483.3 (36.5) | 487.6 (34.0) | 87 |
| Intermediate goods | 89.5 (23.9) | 346.1 (37.3) | 547.3 (41.4) | 620.2 (43.2) | 593 |
| Machinery | 30.9 (8.04) | 151.3 (16.3) | 282.6 (21.4) | 315.9 (22.0) | 922 |
| Others | 3.1 (0.81) | 6.9 (0.7) | 9.6 (0.7) | 10.3 (0.7) | 232 |
| Total | 384.2 | 928.0 | 1,322.8 | 1,434.0 | |

Note: Figures in parentheses refer to percentage of total value added.

Source: Draft Outline of the Fourth Plan, p. 10.

led to demand deficiency, thus slowing down the industrial growth (Table 11.2).

FOREIGN RELIANCE

After this brief account of the achievements of the Plans, it would be fruitful to examine whether the Indian economy has been able to make progress in the direction of becoming self-reliant in regard to external dependence. Paradoxically, the very strategy of the Second Plan aiming at self-reliance in the long run made larger imports more essential immediately. This was expected to be a short-lived phenomenon, but so far it has tended to perpetuate itself. Imports as a percentage of national income in 1950-1 were at 6.8 and, by 1964-5, this figure rose to 7.8. On the other hand, exports as a percentage of national income declined during the same period from about 6.3 to 4.7. These disparate rates of growth of exports and imports were made possible by the increasing amount of external assistance that India obtained. Though the process of import substitution has been quite vigorous during the planning period, it has not reduced the external dependence of the economy. The share of imports in the total availability of some goods has declined considerably, but this has had no overall effects. Share of imports in the total availability of fuels declined from 88 per cent to 27 per cent between 1951-2 and 1962-3. But for manufactures as a whole the share of imports in the total availability remained unchanged at 11 per cent. In respect of metals, it went up from 21 to 29 per cent.

The process of import substitution has worked somewhat haphazardly. It has worked very well in respect of raw materials. In the

jute industry, for instance, production of jute textiles increased from 0·84 million tonnes to 1·3 million tonnes between 1950-1 and 1965-6, whereas imports of raw jute declined in value from Rs. 275 million to Rs. 57 million. But in the rayon industry, production of rayon was increasing greatly without similar expansion in the production of rayon pulp. The general picture that emerges is that of a large number of industries developing by reliance on imports for their supply of imported components. As a result of this unco-ordinated planning, 'maintenance imports' have been posing an awkward problem to the planners. Even for a full utilisation of the existing capacity of the industries, the planners have been forced to rely on external assistance.

A noteworthy feature of Indian planning is that the amount of external assistance given has generally been liberal. The Second Plan, for instance, provided for an external assistance of Rs. 8 billion, but the assistance actually offered was far in excess of this. There have been, however, some severe limitations on the types and conditions of aid. Up to the middle of the Third Plan, a large part of the aid was tied to projects; purchases had largely to be made in the countries giving help. The terms of repayment and interest charges have been liberalised more recently, but, considering the nature of development in a country like India, they impose a great burden rather too soon. In spite of the liberal aid program, the foreign exchange position of the country has been highly precarious from the middle of the Second Plan period. Rigorous import restrictions have been needed throughout. Imports are licensed according to criteria that have been laid down and changed from time to time depending on the relative indispensability of the imported products and the availability of foreign exchange. No competitive imports are allowed, and there have been many periods when industries have been starved of essential raw materials and components.

EXPORTS

Along with import substitution, promotion of exports may be regarded as a measure for making the economy less reliant on foreign aid. But no effective policy for an orderly expansion of exports has been implemented. As the deep undercurrent of Indian planning has been somewhat 'inward looking', a policy to develop exports on the basis of comparative advantage has not received adequate attention from the planners. It was only at the beginning of the Third Plan that the importance of an expanding foreign trade sector was recognised. As the prices of non-traditional and some of the traditional Indian exports were out of tune with the international prices, a scheme of subsidies, incentives, and import entitlements was initiated. However, it was not fully realised that

the supply aspects of export goods were quite important if the exporters were to find exporting a profitable proposition. If export promotion policy is to succeed, it can do so only if surpluses of commodities (after meeting internal demand at the prevalent prices) are available. A well-thought-out investment policy properly integrated into the plan framework that gives adequate attention to the need for creating exportable surpluses of goods produced at competitive prices has not yet been framed. Until that is done, exports are not likely to expand at desirable rates of growth. The failure of devaluation of the currency in 1966 to increase exports brings out significantly the importance of a properly thought-out policy towards the export sector.

EMPLOYMENT

One of the major failures of the Plans has been on the employment front. Increase in the labour force between 1951 and 1961 is estimated to be about 21 million. Taking into consideration the employment generated during the two Plan periods, unemployment at the end of the Second Plan has been placed at 7 million. Due to increase in the labour force during the Third Plan period of 17 million, the total labour force available for employment has been estimated to be 24 million. Since the Third Plan could absorb only about 14·5 million of the labour force, the backlog of unemployed persons at the beginning of the Fourth Plan may be estimated to be in the range of 9-10 million. Each Plan has thus faced an ever-increasing backlog of unemployed labour force. According to present estimates, increase in labour force during the Fourth Plan period is put at 23 million. If unemployment is to be wiped out at the end of the present Plan, about 33 million new job opportunities may have to be created. Looking to the past record of the three Plans and the fate of the Fourth Plan during 1966, and the prospect for 1967, it is highly doubtful whether it will be possible to absorb this much manpower. The Second Plan gave some attention to the small-scale and cottage industries. But it could not succeed in tackling the unemployment problem in any effective way. Apart from rural unemployment, India has been facing the critical problem of the unemployment of educated people. The recent changes in the size of public investment have added to the poignancy of the situation by the need imposed on some industries, especially engineering, to reduce their output. Unless something effective is done, this problem is likely to become a major destabilising factor for the Indian democracy.

PRICES

Alongside the progress of the First Plan, the general price level came down as a result of exceptionally good crops in the latter

years of the Plan period. If we take 1952-3 as the base, the price indices for all commodities and food articles in 1955-6 were respectively 92·5 and 86·6; by the end of the Second Plan, these indices stood at 124·9 and 120 respectively. The Third Plan period witnessed an era of steeply rising prices. The prices of all articles rose by 52·8 per cent and the prices of food by 66·5 per cent during the Third Plan period. However, prices of manufactured commodities increased at a lower percentage rate of 31·5. The disparities in these relative price movements reflect the divergent rates of growth of industry and agriculture, whereas the general rise in the price level of such a magnitude indicates the extent of excess demand in relation to the availabilities of various commodities in spite of expanding imports of some of them. The latter has also created problems of acute social unrest.

Prospects for the Fourth Plan

As the Fourth Plan is not yet finalised,¹ it is inevitable to rely on the Draft Outline of the Fourth Plan (DOFP) to get an idea of the programs and priorities for the Plan. With some changes in emphasis, the DOFP follows the earlier plans. It proposes an outlay of Rs. 237·5 billion of which Rs. 160 billion will be in the public sector. Public sector investment outlay during the first year of this Plan has been Rs. 22·2 billion and the proposed outlay for the current year is put at Rs. 22·4 billion. Assuming that these targets are fulfilled, it would be difficult to forecast that during the remaining three years of the Plan it would be possible to realise an investment program exceeding Rs. 115 billion in the public sector. Secondly, even if we expect that the rate of price rise in the coming years will not be as much as during the Second or Third Plan period, investment in public and private sectors in real terms at 1960-1 prices is not likely to be more than Rs. 150-160 billion during the Fourth Plan period. The Fourth Plan targets indicate that, by 1970-1, *per capita* and national income will be respectively Rs. 417 and Rs. 239 billion. According to the DOFP, national and *per capita* incomes are expected to increase at the respective annual rates of 5·5 and 3 per cent. The projected respective figures of net investment and domestic savings as percentages of national income by 1970-1 are 17-18 and 15-16.

The DOFP states that 'for ensuring the achievement of self-reliance as early as possible, highest priority will be given to all such schemes of agricultural and industrial production as are designed to promote exports and replace imports' (p. 16). Thus agriculture, export promotion, and import substitution are regarded as having the highest

¹ For the time being, owing to the uncertainties of the situation, annual plans only seem practicable. The prospect of a final Fourth Plan has thus receded.

priority. In the DOFP, investments in agriculture and its related sectors are expected to be about Rs. 34.4 billion, and in organised industry about Rs. 62.9 billion. Apart from the direct outlays on agriculture like irrigation and community development, the outlays on sectors that will benefit agriculture, for instance, fertilisers and pesticides, bring the total investment provision for agriculture to a figure of over Rs. 50 billion. If percentage figures are any indication, and if past experience is any guide, it appears that relative emphasis on agriculture has been less in relation to the importance of the agricultural sector in the economy. The Fourth Plan should, in fact, aim at creating surpluses of agricultural products during normal years to tide over the scarcities of abnormal years and to help in the export promotion of agricultural products and agriculture-based manufactures. It may, however, be said that technical and organisational factors, rather than financial, set a limit to the rate of agricultural growth. At the end of the Fourth Plan period, the targeted increases in agricultural and industrial production are expected to be slightly higher than 31 and 68 per cent respectively.

Much of the success of the Fourth Plan will depend on the performance of agriculture. Apart from irrigation, the crucial factors determining the achievements of agricultural targets will be increments in the production of fertilisers, pesticides, agricultural implements, and the area of land brought under intensive development programs. The DOFP stresses the need for implementation of a new strategy implying thereby 'application of the latest advances in the science of agriculture'. As a special measure, the Plan aims towards 'concentrated and integrated efforts on specific production programmes in areas where the assured availability of water can facilitate the use of large quantities of fertilizers needed for high-yielding varieties of seeds . . .' (p. 175). Along with the promotion of subsidiary foods like potatoes and other tubers, animal husbandry program, fishery, development of poultry, etc., the need for short duration crops to multiply the yield of a given piece of land has been recognised.

In discussing the industrial program, the DOFP states that 'foreign exchange will continue to be an overriding constraint during the Fourth Plan period' (p. 254). The industrial program, therefore, argues for a vigorous plan for import substitution in consumer, intermediary, and capital goods industries as well as in indigenous design, engineering skills and know-how. Special emphasis is laid on industrial inputs for agriculture like fertilisers, pesticides and farm equipment, metal and machine building industries like steel, aluminium, zinc and machinery, and machine building industries of various types, and intermediate goods like petro-chemicals, iron and steel castings, structurals, refractories and cement. Targets for

some of the important agricultural, industrial, and mineral products have been given in Table 11.3.

The foreign exchange resource position of the Fourth Plan is given in Table 11.4. Dependence of the Fourth Plan for its resources on external aid works out to be about 39 per cent of the proposed total investment outlay. If we consider only the utilised aid, India's external dependence (including PL 480 and 665 assistance) as percentages of total investment in the last three Plans works out to be 6, 21, and 22 per cent respectively. Thus, the external resource dependence of the Plans is increasing. It will be hazardous to forecast the future trends for the Fifth and the Sixth Plans; but it appears unlikely that the degree of external dependence of the Plans will decline appreciably in the near future.

TABLE 11.3 Indian Plans: Achievements and Targets

| Item | Unit | 1950-1 | 1964-5 | 1965-6* | 1970-1† | Percentage increase in | | | |
|-------------------------------------------------|------------------|--------|--------|---------|---------|------------------------|--------------------|--------------------|--------------------|
| | | | | | | 1964-5 over 1950-1 | 1965-6 over 1950-1 | 1970-1 over 1964-5 | 1970-1 over 1965-6 |
| Foodgrains | m. tonnes | 54.92 | 88.95 | 72.29 | 120 | 62.0 | 31.6 | 34.9 | 66.0 |
| Cotton | m. bales | 2.62 | 5.41 | 4.73 | 8.6 | 106.5 | 80.5 | 59.0 | 81.8 |
| Oil seeds | m. tonnes | 5.09 | 8.30 | 6.14 | 10.7 | 63.1 | 20.6 | 28.9 | 74.3 |
| Jute | m. bales | 3.51 | 6.02 | 4.48 | 9.0 | 71.5 | 27.6 | 49.5 | 100.9 |
| Fish | m. tonnes | 0.7 | n.a. | 1.15 | 1.53 | — | 64.3 | — | 33.0 |
| Milk | m. tonnes | 17.0 | n.a. | 24.60 | 32.25 | — | 44.7 | — | 31.1 |
| Wool | m. lb | 60.0 | n.a. | 83.0 | 94 | — | 38.3 | — | 13.2 |
| Major and medium irrigation (additional) | m. acres (gross) | 23.8 | 15.8 | 18.0 | 31.0 | 66.4 | 75.6 | 96.2 | 72.2 |
| Electricity installed | m. kw | 2.3 | 8.6 | 10.2 | 20.0 | 273.9 | 343.5 | 132.6 | 96.1 |
| Iron ore | m. tonnes | 3.0 | 15.1 | 23.0 | 54.0 | 403.0 | 666.7 | 257.6 | 134.4 |
| Coal | m. tonnes | 32.8 | 64.4 | 68.0 | 106.0 | 96.3 | 107.3 | 64.6 | 55.9 |
| Finished steel | m. tonnes | 1.04 | 4.43 | 4.6 | 8.8 | 326.0 | 342.3 | 98.6 | 91.3 |
| Pig iron (for sale) | m. tonnes | 0.36 | 1.0 | 1.2 | 3.0 | 177.8 | 233.3 | 200.0 | 150.0 |
| Copper (virgin metal) | '000 tonnes | 7.1 | 9.4 | 9.8 | 37.5 | 32.4 | 38.0 | 298.0 | 282.7 |
| Aluminium (virgin metal) | '000 tonnes | 4.0 | 54.1 | 65.0 | 330.0 | 1,240.0 | 1,525.0 | 510.0 | 407.7 |
| Cement machinery | value in m. Rs. | — | 22.0 | 35.0 | 200.0 | — | — | 809.1 | 471.4 |
| Sugar machinery | " " | — | 910 | 800 | 1,600 | — | — | 75.8 | 100.0 |
| Machine tools | " " | 3.0 | 200.0 | 230.0 | 1,050.0 | 6,566.7 | 7,566.7 | 425.0 | 356.5 |
| Ball and roller bearings | m. | 0.1 | 5.9 | 9.0 | 30.0 | 5,800.0 | 8,900.0 | 408.5 | 233.3 |
| Diesel engines | '000 | 5.5 | 74.1 | 85.0 | 200.0 | 1,247.0 | 1,545.0 | 169.9 | 135.3 |
| Tractors, agricultural | '000 | — | 3.2 | 5.6 | 35.0 | — | — | 66.7 | 51.6 |
| Electric cables (ACSR conductors) | '000 tonnes | 1.7 | 48.8 | 55.0 | 120 | 2,770.0 | 3,235.0 | 145.9 | 118.2 |
| Railway locomotives, steam, diesel and electric | no. | 7.0 | 266 | 276 | 417 | 3,700.0 | 3,842.0 | 58.8 | 51.1 |
| Fertilisers: nitrogenous | '000 tonnes | 9.0 | 234 | 233 | 2,000 | 2,500.0 | 2,488.0 | 754.7 | 758.4 |
| Fertilisers: phosphatic | '000 tonnes | 9.0 | 131 | 111 | 1,000 | 1,355.0 | 1,133.0 | 663.4 | 800.9 |
| Sulphuric acid | '000 tonnes | 101.0 | 695 | 664 | 2,400 | 688.0 | 557.0 | 245.3 | 261.4 |
| Soda ash | '000 tonnes | 45.0 | 286 | 331 | 600 | 535.6 | 635.6 | 109.8 | 81.3 |
| Caustic soda | '000 tonnes | 12.0 | 192 | 218 | 500 | 1,500.0 | 1,716.0 | 160.4 | 129.4 |
| Sewing machines | '000 | 33.0 | 330 | 450 | 900 | 900.0 | 1,263.0 | 172.7 | 100.0 |
| Bicycles | '000 | 99.0 | 1,442 | 1,700 | 3,500 | 1,356.0 | 1,617.0 | 142.7 | 105.9 |
| Automobiles | '000 | 16.5 | 70.8 | 68.5 | 170.0 | 329.1 | 315.2 | 140.1 | 148.2 |
| Cotton textiles (mill-made) | m. metres | 3,401 | 4,676 | 4,434 | 5,486 | 37.5 | 30.4 | 17.3 | 23.7 |
| Cement | m. tonnes | 2.73 | 9.79 | 10.8 | 20 | 258.0 | 295.6 | 104.3 | 85.2 |
| Petroleum products | m. tonnes | 0.2 | 8.4 | 9.86 | 20 | 4,100.0 | 4,830.0 | 138.1 | 102.8 |
| Paper and paper board | '000 tonnes | 116 | 494 | 550 | 900 | 325.9 | 374.1 | 82.2 | 63.6 |
| Shipping | m. gr. t. | 0.39 | 1.4 | 1.54 | 3.0 | 259.0 | 294.9 | 114.3 | 94.8 |

* Provisional. † Targets.

Source: DOFP, pp. 62-8.

TABLE 11.4 Estimates of External Payments and Receipts

| | In pre- devaluation rupees (billion) | In post- devaluation rupees (billion) |
|------------------------------------------|-----------------------------------------------|------------------------------------------------|
| I 1. IMPORTS | 76·50 | 120·49 |
| a. Maintenance imports | 52·00 | 81·90 |
| b. Project imports | 24·50 | 38·59 |
| 2. External debt servicing charges | 14·50 | 22·84 |
| Total I | 91·00 | 143·33 |
| II RECEIPTS | | |
| 1. Exports | 51·00 | 80·33 |
| III GAP TO BE COVERED BY EXTERNAL CREDIT | 40·00 | 63·00 |

Source: DOFP, p. 91.

Two Alternatives

The prospects for adequate resources for the Fourth Plan do not appear to be bright, though the better crop prospects for the year have somewhat reduced the immediate gloom. On the general plane, there appear to be two possibilities. If foreign assistance, including food aid, is made available on a really large scale, the size of the Plan could be satisfactory. Given a large amount of aid and fairly reasonable weather conditions, it may be possible to avoid a drastic cut in the size of the Plan, and fulfil a reasonable part of India's needs. As a second possibility, it would be desirable to have a less ambitious Plan with the expectation of a small-sized foreign aid program. In this case, it would be necessary to give top priority to agriculture and the related sectors like fertilisers, farm equipment, fishery and animal husbandry, that would step up the supply of food articles and agricultural raw materials. On the side of industry, more attention may have to be paid to the utilisation aspect of capacity already created. The foreign exchange receipts would have to be largely devoted to imports of food, agricultural aids, and maintenance requirements, and further industrial and overhead expansion would be greatly slowed, imposing great strain and creating grave discontent. This may affect the working of democracy in India. Japan and Australia, as the two big democratic countries in this part of the world, would be interested in preventing, if possible, such a contingency.

Help from Japan and Australia

We have already discussed the importance of foreign assistance if India has to retain the main programs of the Fourth Plan. Since the foreign exchange component is the crucial factor in deciding the success of the Plan, the aid-giving countries, including Australia and Japan, may be expected to take note of India's stability and development. The present special difficulties on the foreign exchange front should not be interpreted as reflecting on India's long-term ability to repay loans, but should be met by special attitudes and terms which will enable India to tide over her difficulties. If Japanese assistance comes in terms of soft loans, that will help India in solving her problems.

The special fields in which Japan can help India are those of fertilisers, fisheries, agricultural techniques, ship-building and supplying latest technical know-how in such fields as iron and steel, small-scale industries, export promotion, population control techniques, etc. To popularise the Japanese techniques of intensive farm cultivation such as better soil and water-management practices, the Japanese government has assisted in establishing eight demonstration farms. The Japanese technicians on these farms teach the Indian farmers the improved methods of cultivation that have helped Japan to increase its agricultural productivity. But eight agricultural farms are quite insufficient for a country like India. In the next few years, India plans to bring about 32 million acres of land under high-yielding varieties of crops. In this context, additional Japanese co-operation to raise farm productivity will be highly appreciated. The major field in which Indo-Japanese collaboration will be fruitful to both countries is the expansion of iron ore exports to Japan. A recent study of the High Authority of the European Coal and Steel Community predicts that India can hope to expand her exports of iron ores up to 31 million tonnes by 1972. In 1965, Japan's imports of iron ore stood at 34 million tonnes and, by 1970, imports are expected to increase to 57 million tonnes, that is a rise of 23 million tonnes in five years. With proper assistance from Japan to develop mines, ports, and rail-lines, it should not be difficult for India to expand exports of iron ores to Japan by this target. The assistance given to develop such sectors will create the means to repay Japanese loans.

As the *per capita* incomes of Australians and Canadians are more or less at the same level it will be interesting to compare the amount of aid that these two countries gave to India up to March 1966. Canadian assistance per Canadian works out to be Rs. 115 and Australian assistance per Australian works out to be only Rs. 23. Even if we consider only that part of assistance which is in terms of out-

right grants per Canadian, grants from Canada happen to be about four times the grants given by Australia per Australian. Australian aid commitments are not large, and Australia considers the stability of Indian democracy to be of vital importance to itself and the Asian region. In view of these points, there is considerable scope for increase in Australian aid to India. Australia is very rich in zinc and lead, the two non-ferrous metals that will be increasingly required in India in future. Australia can assist India in joint projects in zinc, copper, and lead smelters. Australia has made good progress in the field of alloy steels, and there is good possibility of co-operating in this line also. As regards collaboration in these fields, there were discussions between the Australian Deputy Prime Minister, Mr John McEwen, and India's Commerce Minister at that time, Mr Manubhai Shah. However, details of these have yet to be worked out. As a result of its long-standing experience in dairy products, Australia is also very well suited to guide India to solve the protein deficiency in the Indian diet through increased production and consumption of milk products and poultry. There should be conscious efforts on the part of the governments of Australia and Japan to encourage increased equity participation and technical collaboration with Indian industrialists.

There is another field in which Japan and Australia can help India. They can admit larger imports originating from India by abolishing all types of restrictions on Indian goods. It is strange that Japan should impose restrictions on certain processed goods like textile fibres even against Indian goods. It would be in Japan's interest to facilitate the structural changes taking place in the Japanese economy in favour of complex manufactures as a result of general upward push on wages. In 1965, Australia gave some unilateral concessions in import duties on a number of commodities imported from the developing countries; they need to be liberalised. Since the exact details of the Kennedy Round are not available, it would be difficult to anticipate the extent of favourable impact on Indian exports to Japan through this. But these two countries should not wait for concerted international action before offering concessions to countries like India. They can very well provide a lead in this direction to other developed countries.

In comparison with the trends of economic integration in Latin America the ECAFE region is making very slow progress. The special efforts of Japan, India, Australia, and other regional countries have been helpful in realising the establishment of the Asian Development Bank. Similar efforts are necessary to establish a liberalised trading area in this region. The lead in providing working capital to a prospective Asian Payments Union should come from Australia and Japan, just as the U.S. provided a lead for the European Pay-

ments Union. Japan and Australia, being two prosperous and better-off countries of the ECAFE region, have a special responsibility to give an effective lead to the moves of economic integration in this region.

Discussion of Professor Lakdawala's paper was combined with that of Mr Clunies Ross, and will be found on pp. 190-2.

Possibilities of Australian Economic Assistance to India

Anthony Clunies Ross

The level and kind and general seriousness of economic assistance extended by one country to another depend, I suppose, partly on the common emotional attitudes in the donor country toward the recipient, partly on specific political objectives on the part of the donor country, partly on any consciousness of common interests, and partly on chance factors such as past commitments and the personnel of the donor country's executive (and in some cases legislature) and of its administering departments.

Emotional Dispositions

A number of articulate Australians have emotional attitudes toward India and those attitudes are probably favourable on balance toward economic assistance. India tends to figure as the example of extreme poverty. Most native-born Australians have been shielded from direct contact with the kind of material poverty characteristic of the great bulk of the world's population. Consequently they tend to find disturbing such knowledge as they have of this type of poverty. They do not readily take it for granted. There is an initial reaction of horror which may lead to guilt, compassion, or hostility. I do not want to exaggerate this. The proportion of Australians who enter at all imaginatively into an understanding of poverty abroad is probably small. But, where the mass have no opinion, it is such small groups whose emotional reactions are important. There is no anti-foreign aid lobby in Australia as there is in the United States. There is no anti-Indian press as there is in Britain. My guess would be that, if the recent Australian budget had increased the level of economic aid to India fivefold over that of the preceding year, there would have been few disapproving murmurs, and a certain amount of mild acclaim in editorials and in public pronouncements. It is rumoured that the nearest thing to an anti-foreign aid lobby in Australia originates among the government's advisers in one of its departments.

On the other hand there is no pro-foreign aid or pro-Indian lobby in any important political sense. No institution, I am sure, is believed to deliver large blocs of votes to a party that promises greater foreign aid. Yet the apologetic tone of the government's account of its aid program does suggest that it thinks supporters of foreign aid politically more important than opponents—though another reason for the general tone of the pronouncements may be that Australians tend to feel themselves under attack internationally and that the presentation of the foreign aid program is meant as a national self-justification before a wider audience.

What can be said is that the Commonwealth tie with India means emotionally next to nothing among Australians. Some admittedly talk about their enthusiasm for the Commonwealth. But generally this means an affection for Britain and New Zealand because of our shared culture, or an interest in underdeveloped countries as such, or friendly feelings towards Malaysia and Singapore because things work there more or less the way we expect them to work, or even a taste for cricket. The Commonwealth idea does not create benevolent feelings or a sense of identification. It feeds (rather meagrely) on such feelings where they exist for other reasons.

Political Interests

Any political objectives that the Australian government has in giving aid to India could be described as highly non-specific. A recent official account of Australian foreign aid gives no more precise prudential reason for it than 'a growing awareness that Australia's own future is intimately connected with that of neighbouring countries in South and South East Asia' and explains that 'Our aid policies are directed particularly to increasing economic and social well-being in that area'.¹ If that sums up the motivation, we are casting our few crumbs of bread on a vast expanse of water. Australian aid, unless heavily concentrated on a few nations or else very much larger than at present, can make little difference that the national accountant or economic geographer can detect. In fact, it *is* heavily concentrated on Papua-New Guinea, a nation of less than three million, which receives about two-thirds of the total. It is true to say that the economic development and political stability of Papua-New Guinea are regarded as matters of urgency. The remainder, if devoted entirely to India, would make up only 3-4 per cent of the aid that India has hoped to get each year during the present decade. If one thinks in purely quantitative terms, it is hard to believe that such a sum could make a great deal of difference. Concentrated on

¹ Department of External Affairs, *Australia's Aid to Developing Countries to 30 June 1966* (Canberra, 1966), p. 10.

Malaysia, of course, the same amount (about \$US45 million in 1966-7) would mean a noticeable increment in the real resources available to the government of that country. But marked concentration does not occur in any country outside Australian territories; and if one wants to consider this 'extra-territorial' aid as important, one has to think about it qualitatively and suppose wishfully that it has some notable catalytic effect.

One may argue that the quantities *need* not be so small: that, if a sufficiently high priority were set on it, the extra-territorial aid might easily rise to \$A200 million a year, instead of \$A40-50 million, making a total aid bill of about \$A300 million (alongside a defence vote of \$A1,000-1,100 million); but such a change, if made from one year to the next, would be likely to use up the equivalent of nearly all the additional revenue accruing over the year to the Australian federal government through normal economic expansion. Since rises in the Australian defence vote have themselves used a large part of this normal increment in recent years, while most other heads of Commonwealth expenditure rise at least as fast as national income, such an increase in aid, unless spread over, say, five years, would probably require some increase in tax rates. And, however carefully restricted in composition, it would still very probably have some adverse effect on Australia's external payments. The priority accorded to extra-territorial aid is apparently not great enough to support such drastic requirements. (After all, it is hard to believe that even an annual \$A200 million would decisively tip the scales in favour of 'increasing social and economic well-being in that area'.) Yet at the same time extra-territorial aid is not altogether neglected in the annual scramble for increased outlays. Its value in current prices roughly trebled between 1960-1 and 1966-7 and, as a proportion of national income, roughly doubled.

Possible Trends

The core of Australia's bilateral extra-territorial aid (hereafter *ETA*) comprises the items classified as 'Colombo Plan' and divided into 'Economic Development' and 'Technical Assistance'. Of the eighteen countries recipient under this head, India had received by mid-1966 the largest absolute share: nearly a quarter of the total. Of the others only Pakistan received anything like as much. India accounted for nearly a third of the expenditures under Economic Development but was much less dominant among the recipients of Technical Assistance of which the two leading members were Malaysia (including its pre-1963 components) and Indonesia. However, the total value received by India from Australia under the heading Colombo Plan amounted to only \$A30.5 million over sixteen years. Grants of wheat to India over the last three fiscal

years admittedly raise this figure by a further four-fifths. Yet it is still minute from India's point of view. India has also benefited from multilateral undertakings to which Australia has contributed, most notably the International Development Association (IDA) and presumably the Indus Waters Scheme. But these do little to change the picture. And I record my suspicion that at least until three years ago, the aid did very little to mould relations between the two countries—unlike Australian aid to Malaysia and Indonesia.

Furthermore, much as I should like to see Australian aid to India increased five-, ten-, or twenty-fold, I think that the development of Australian bilateral ETA for which it is most reasonable to hope is one which gives increasing relative importance to the members of the new Association of South East Asian Nations (ASEAN). This is because I think that Australian governments may find in this area the most specific, urgent, and perhaps achievable, political and social objectives for their aid.

We are greatly and directly concerned with the maintenance of international and inter-ethnic harmony among the five ASEAN countries. The uncomfortable borders, the latent territorial disputes, above all the position of Chinese minorities and (by extension) of Singapore, are matters of great concern, if no longer of despair. A group of politically stable nations, co-operating among themselves, Western-leaning but (apart from Thailand) militarily neutral—this is a possibility that has emerged since late 1965. Despite the terrible events of this period there is also some ground for hope that the nations concerned may respond to gentle pressure from one another for the indiscriminate protection of their residents. Furthermore there does seem to be a consensus among those closely connected with the making of Australian foreign policy that we have considerable interests in preserving the present style of government in Indonesia, and consequently in relieving the pressures upon those now in power there. Even if the New Order is secure, its future political character is by no means certain. From our point of view the more successes the present management can bring home, the better. The same has applied over a longer period to the present managements in Singapore and Kuala Lumpur.

All this will, I think, encourage us to direct bilateral aid increasingly to these five countries. If a substantive association is set up, we shall have good reason for giving it economic backing. In any case we shall recognise the sense in providing all possible support to the present governments in Malaysia, Singapore, and Indonesia. Surprise has been expressed in Australia that the allocation to Indonesia in this year's budget (\$A5.2 million in addition to Colombo Plan-type projects) is so small. But it is more than a third as large as all the Australian aid given to Indonesia until mid-1966 and is at

least a straw in the wind. Considerable expansion of aid to this group will probably mean decreasing *relative* importance of the quantity of Australia's aid to India.

Another trend already detectable in the Australian aid list is the increasing relative and absolute importance of subscriptions to international agencies, especially the lending institutions. Multi-lateral contributions (including those to the Indus Waters Scheme) have increased about four-fold in domestic currency terms, and nearly three-fold as a proportion of national income, between 1960-1 and 1966-7. Though MA lending has tended to go overwhelmingly to India, and though no doubt she will get a reasonable share of loans from the Asian Development Bank, this again is a trend which, if continued, will mean a decreasing relative importance within the Australian aid appropriation of bilateral transfers to India. Australia incidentally has never been associated with the India and Pakistan Consortia. One reason I have heard offered for this is that our government does not want pressure exerted on it to maintain a consistent rate of contributions from year to year.

So much on some points of background.

Positively I have three modest suggestions to make and finally a more ambitious one. The first can be regarded as a suggestion for Australian economic assistance to India, but it has an equal claim to be regarded as a suggestion for Indian economic assistance to Australia, and in fact presupposes initiatives by Indians as well as by Australians.

Tariff Reconstruction

The first suggestion relates to trade. Australia has made what is little more than a gesture towards increasing the export markets for underdeveloped countries by means of a set of tariff preferences (subject to quota limitations) established in 1966. The principle of these preferences is unique, so far as I know, in that they are extended to practically all less-developed countries outside the Communist blocs, and even to Cuba. Hong Kong is included in the list of beneficiaries but specifically excluded from the application of preferences for certain classes of exports in which she is held to be directly competitive. Thus the emphasis of the scheme is on unmerited grace rather than on any respect for comparative advantage.

Further details and an assessment of the scheme are given in Chapter 10, but it is relevant to point out here that, though only \$A1.1 million worth of goods had been admitted under it in the first nine months of the first year (out of a possible total of \$A11.25 million in the first year), over half these goods by value came from India.

The philosophy of the scheme, as set out by the Minister for

Trade and Industry² is that the existing protection of Australian industry should not be disturbed but that the composition of the imports that enter should be altered in favour of the less-developed countries. Anyone with orthodox economic training will not be entirely happy about the principle of mitigating the foreign exchange problems of developing countries by ever more complex systems of arbitrary *ex gratia* preferences; and personally I find little consolation in the fact that the Australian scheme is quantitatively negligible. Apart from all else, markets achieved in this way are likely to be insecure, and may be wiped out by any general round of tariff-cutting. In principle the Australian scheme gives nothing away that the less-developed countries could not earn for themselves (without any quota limits) by moderate exchange-devaluation—though admittedly exchange-devaluation is likely to have costs for them which the preference scheme avoids. And it may be argued that, by the mere announcement of the scheme to Australian importers, the government is opening for certain less-developed countries, export channels that would be profitable even at normal rates of duty and would otherwise be unexplored.

The tariff structure of most industrialised countries, and certainly of Australia, tends to be heavily biased against imports of the major light manufactures and is correspondingly biased, of course, in favour of *domestic* Australian production of the goods in which those countries are likely to have greatest comparative advantage. Thus the countries with a natural comparative advantage in labour-intensive industry—especially those, such as India, Pakistan, Taiwan, and Hong Kong, that can readily produce a surplus of such manufactures but can less readily produce a surplus of machinery or chemicals or precision instruments or vehicles for example—have a considerable interest in equalising the tariff rates imposed on different classes of manufactures by the industrialised countries: a process that might justly be described as ‘rationalising’ their tariff structures.

The Committee of Enquiry into the Australian Economy (the Vernon Committee), which reported three years ago, recommended precisely this, basing its argument principally on Australia’s own interest in this kind of change. The Committee was extremely moderate. It did not ask for free trade and corresponding exchange devaluation. It asked only for some gradual approach toward equalisation of the effective rates of protection on processed goods. This proposal, however, has to pass through two filters before becoming policy: the Tariff Board and the Government. Three of the seven members of the Tariff Board saw the point and saw how it could be rendered consistent with their terms of reference. The

² In his Second Reading Speech on the Customs Tariff (No. 2) Bill, 1965.

majority, however, did not. And one strongly suspects that the intellectual hesitations of the Tariff Board's majority will continually be fortified by the political counsels of the present government. A change of government might make a difference, but probably would not. There are moderate free traders in high positions in both major parties, but they seem to be a minority.

The Tariff Board, however, is the first line of defence of the present protective system; it is at least embarrassing for the government to ignore the Board's recommendations; and it appears that only one additional member of the Board needs to be brought into sympathy with the Vernon Committee's principle of a modified uniform tariff for this to become the norm in Board decisions. Indeed a recent speech by the Chairman of the Tariff Board (who is one of the majority), while not exactly betraying an understanding of the Vernon Committee's argument, showed some limited disposition to accept its practical implications by maintaining a presumption against very high rates of duty.

What I would suggest, therefore, is that the Indian government, and Australians who are concerned about industrial development in Asia, should take an active interest in this debate. Its outcome could mean far more for India than the trickle that is all unrequited transfers from Australia are ever likely to be. I do not see why there should not be regular official Indian representation at Tariff Board hearings. Thanks largely to the Vernon Committee, the discussion has become one of principle, a discussion on the simple logic of the case for free trade which now at last makes practical sense in the post-Keynesian industrialised world. For those underdeveloped countries the progress of which depends immediately on the export of manufactures—the Indian subcontinent, the three Chinas, and perhaps some others—old-fashioned arguments from comparative advantage may be far more useful in modifying the behaviour of the rich than the sophistries of the Prebisch school. Australians as a group and Indians have a common interest in modifying the Australian tariff structure, and this common interest ought to be exploited.³

Wheat

My second suggestion, a fairly loose one, applies to wheat. There is some reason in the argument of the wheat-exporting countries that they should not have to bear alone the cost of filling India's

³ The strict application of a uniform tariff in Australia would raise the duties on a number of raw materials and semi-manufactures of interest to developing countries. Two points can be made here: (a) in some cases, this would make little difference to Australian demand for the materials; (b) there is no real likelihood that Australia will follow the logic of the uniform-tariff proposal to the extent of raising duties where there is no local industry to protect.

wheat deficits. The contention may seem mean-minded but it is fair. Admittedly a release of free wheat is less costly to a wheat-exporter than to a wheat-importer, since it tends to raise the commercial price of wheat above the level at which it would be if the same total quantity had been absorbed entirely by the commercial market. This is a mitigating factor at best. Wheat exporters do, however, hold stocks which may at certain times be unnecessarily large. This is of course the reason why the U.S. developed the practice, immeasurably important to India, of making immense and flexible near-gifts of wheat. When a government has already bought large stocks of wheat from its farmers, when at the same time political pressures prevent its taking measures for the rapid scaling-down of output, and when much of the wheat traded internationally has to be sold between fixed-price limits, the real cost of a gift of wheat may be fairly low.

All these conditions sometimes apply to Australia as they do to the United States—though somewhat less acutely. In deciding from time to time the level of support for domestic wheat prices, the Australian authorities, even if they were concerned merely to maximise the net foreign exchange that can be earned below a certain marginal cost in domestic resources, would be dealing with a number of very imperfectly known independent variables and relationships, and might very well choose any one of a wide range of levels of support for the Australian wheat industry. Political pressures probably tend to make the support greater than it would be if cost-benefit analysis pursued by disembodied reason were the only guide. The results of such pressures are not always bad, however. In this decade the China market has opened to an extent that was beyond any reasonable expectations nine years ago, and there will now be few people concerned with Australia's external position who would rate Australia's wheat output over the last seven years as excessive.

What I hope, therefore, is that we shall be prepared to err on the side of over-production of wheat rather than on that of under-production. This will certainly make it more likely that we shall be ready to make gifts of wheat should India's grain supply again become critical. Moreover, the over-production of wheat in the world as a whole is not likely to be disastrous for anyone. The temperate-zone commercial producers will have means of protection against low world prices. Other producers will not be greatly affected by them anyway. On the other hand, under-production may well bring disaster to the countries least able to bear it. Since the late 1950s the trend in India, China, Indonesia, and the Philippines has been toward increasing grain deficit (in the sense of increasing

quantities actually imported). This trend may of course reverse itself. For the grain exporters to assume that it will may turn out to be a negligence that is almost criminal.

Sponsoring the States

My third suggestion will be controversial. It is that the minor donors of aid to India (all perhaps except the U.S. and the Soviet Union) should choose one or more states or union territories on which to concentrate their assistance. This would be highly undesirable with gifts of grain, and out of the question with major industrial projects. It might be appropriate, however, with much technical and educational assistance, agricultural extension and the like: in fact, with much of the kind of thing that Australia gives under the heading 'Colombo Plan: Technical Assistance' and with some of what it gives under the heading 'Colombo Plan: Economic Development'.

The possible advantages of this are: first, that it would give the minor donors more manageable units with which to deal, a more limited set of officials with whom to co-operate, and a field of operations in which results may be more tangible, than if assistance were spread over the vast expanse of India; second, that it may be a useful stimulus for state administrations to have to deal directly with foreign governments. I should guess that standards of administrative performance are generally lower in the states than at the centre. Yet many highly important functions remain state responsibilities.

I should not take very seriously the risk that the sponsoring of particular states would tend to fragment the union. If the donors have any interest at all in the matter it is surely to preserve the integrity of India. Fragmentation will not suit any of them. Perhaps one would not ask the Soviet Union to sponsor a state in which the Right Communists were strong. But the Western donors have no reason for backing any party against the Congress, which after all is the group that will count as a national and unifying force.

There is a feeling among some Australian officials that the Indian authorities are not much interested in the scale of assistance that Australia normally has on offer. But for the authorities in Andhra or Bihar, say, Australian aid would be larger in relation to their needs—and might be taken more seriously. The fringe of the Australian public that can be at all excited by good publicity about Australian aid-projects might find it easier to direct their interest to a particular part of the country than to India as a whole. We have not really tried giving the Australian public good material about what is being done. But it is an approach that might bear fruit in greater interest and support.

Restricted Program Grants

Can we be any more ambitious than this about the size and scope of Australian assistance? The answer depends entirely on whether Indian economic development is accorded sufficiently high priority by Australian governments. The purposes they may have in furthering Indian development may be to promote political stability within the country or moderation in its international policies, or even to increase its military strength. But the proximate aim will be economic development nonetheless. It will not, I think, be the formation of a special relationship with India, of a kind that Australia is concerned to form with Indonesia. It will not be window-dressing either for international or for domestic purposes; we give enough aid already to make a reasonable display.

My own view is that the economic development of India is very important, and I should like a higher priority assigned to it. But if, to be very sanguine, we were to imagine Australian transfers to India rising to an annual level of say \$A100 million, there would need to be serious consideration of the form such aid might take, so that it could be at once useful to India and not impossibly burdensome to Australia.

The special burden to be avoided would be an undue drain on Australian holdings of foreign exchange. There is a risk that the giving by Australia to India of an extra \$A100 million, untied in convertible currency, and roughly covered by extra revenue raised in Australia, might involve a very serious net loss of foreign exchange. The loss would not be as great as \$A100 million, since the revenue measures undertaken to cover the aid would themselves reduce overseas payments by Australians. But the net loss might well be as high as \$A60-80 million, if the Indians simply accumulated the funds without increasing their overseas outlay, *or* increased overseas spending without any increase in spending on Australian goods or services, *or* increased spending on only those Australian goods of which the supply is inelastic and the domestic surplus normally exported. Any one of these three outcomes is possible, and some approximation to the second or third, or to a combination of them, is very likely. The extra purchase by India of traditional Australian agrarian exports would not be likely to compensate Australia for the original surrender of the foreign exchange, since such goods would probably have been exported in any case, and over any one year the more that is taken by one customer the less is left for the others. Furthermore, even in the longer term, the Australian supply of these goods is unlikely to rise as a result of the purchase unless their producer prices rise as a result of it. The additional purchase of even \$A100 million worth of Australian wool or wheat by Indians

may simply represent a diversion of demand from other sources of supply. Even if it represents a net addition to world demand for wool or wheat, it is not likely to raise *world* prices for wool or wheat (which are the prices that concern us) very considerably. The situation would be different of course if Australia had wheat stocks likely to be irreducible through the commercial market. But, with free currency grants, Indian extra purchases of Australian wheat could not be limited to such a case.

Thus, in the circumstances described, we should risk a drain of foreign exchange corresponding to well over half the nominal value of the aid. The practices applying to those classes of Australian direct aid listed under the headings 'Colombo Plan: Economic Development' and 'Colombo Plan: Technical Assistance' attempt to limit this drain severely by making the transfers strictly in kind, by requiring separate approval for each batch of goods or services transferred, and by insisting on a two-thirds Australian origin in the final form of any goods sent. These practices between them do enable the drain to be restricted, but they also make a complicated business of the choosing of projects for Australian assistance. If the scope of direct aid were very much expanded, we should have a choice between, on the one hand, finding more or larger projects that fulfilled the conditions, and, on the other hand, undertaking a suitable form of program aid, that is aid not linked to specific projects. While it is conceivable that large *projects* can be found, the imported goods component of which can be two-thirds Australian (for example road-building operations), it is quite likely that such projects will not be the most convenient or useful for the recipient and that 'program' aid will have a greater appeal. In fact Australia's 'emergency aid to Indonesia' budgeted for 1967-8 is not linked to projects. It is part of an international exercise designed to increase the scope for Indonesia to import—nothing more specific than that.

It happens that this kind of aid is well suited to India's needs. Much Indian industrial capacity has been unused in recent years because of the shortage of foreign exchange and therefore of the scope for importing. The best remedy for this condition is a matter of dispute, but clearly one way of relieving it is to provide extra overseas purchasing power free of charge. India has suffered from the fact that aid committed to her has been excessively tied to projects. Program aid is often much easier to use.

But for the reasons outlined a high proportion of any large-scale program aid from Australia would probably have to be tied, not only to Australian goods, but to specific classes of Australian goods: those the supply of which is elastic in the short run and as far as possible those for which no export demand from India would nor-

mally exist. This would probably mean manufactured goods and perhaps some minerals. All forms of services by Australians could be included. At any rate a list could be devised. Australia produces quite a large range of manufactured goods, including semi-processed products and machinery. The reason that many of them are not normally exported lies largely in their cost, combined in some cases with a lack of promotion. The cost-difficulty can be overcome if the Australian credits are sold by the Indian authorities at the highest price that Indian importers find it worthwhile to pay (the system that operates with the current international credits to Indonesia). This would mean that they were often sold at a discount. The restrictions would reduce their value to the recipient nation, but by no means eliminate it.

In a world of flexible exchange rates such elaborate restrictions would not be necessary. Nor would they be necessary (though perhaps they would still be applied) if the Australian payments position slipped into one of large and consistent surpluses, as it might conceivably do. Otherwise large-scale Australian aid to India (of the order of \$A100 million per year) would probably have to take the form of highly tied and restricted, but by no means useless, program grants.

Such grants, biased in favour of services and classes of goods not normally exported from Australia on any scale, might serve incidentally as a longer-term promotion device for those goods among them which do have some commercial export prospects. Hence present sacrifice on Australia's part might just possibly earn future cash rewards. Japanese policy-makers and officials in a similar situation might welcome the opportunity.

DISCUSSION

The papers by Professor Lakdawala and Mr Clunies Ross were discussed at the same session, with considerable interplay between points made in each of them. No attempt is made here to separate discussion of one from that of the other.

Professor Arndt introduced Professor Lakdawala's paper with a summary but no comment. He drew attention to the changes of policy in successive Indian plans, and to some of the difficulties now being encountered by India, such as slow technical progress in agriculture, increasing reliance on imported food, balance of payments difficulties and increasing reliance on external aid, the lack of an effective policy for expansion of exports, and growing unemployment. The Fourth Plan might be too optimistic. Much rested

upon the performance of agriculture, and dependence on foreign aid was still considerable.

Mr Clunies Ross dwelt upon the problem of Australian aid to India in terms of the final section of his paper. To a question why Australia should give its aid in new items, rather than the usual forms of export, Mr Clunies Ross replied that it was because, in giving wheat, Australia lost the value in foreign exchange of what the wheat would have earned if it had been sold to normal customers. If we gave fertilisers, which would not normally have been exported, there would be no foreign exchange loss. This was described by another Australian as an approach to a more rational relationship between donor and recipient. At present, he suggested, Colombo Plan aid involved little consultation or co-ordination, the present system of requests ensuring that aid was neither substantial nor fundamental. Another Australian participant made the point that Australian aid was arranged year by year and not on any long-term basis. Other countries could not rely upon Australia to fit into their development programs if Australian aid came in such small parcels, year by year.

The question of tied aid aroused considerable comment. An Australian participant said that donor countries had got into the habit of hedging their aid, and tying it to their own goods, because they feared difficulties in their balances of payments. This 'balance of payments pessimism' was unreasonable; no donor's balance of payments would greatly suffer if all donors agreed to give untied aid. In practice balance of payments pessimism was aggravated by export promotion, and by the special interests of exporting industries in donor countries. Another participant commented that in the aid-India consortium Britain was the only donor still observing multilateralism. Other countries' aid was tied to their own products. Under these circumstances, the multilateralist was the victim, and could not be expected to continue to his own disadvantage. A Japanese participant referred to a Pakistani study which had shown that tied aid had reduced the value of aid to Pakistan by as much as 20 per cent through higher prices. This was a good reason for aid to be given through international institutions, such as the World Bank. But an Australian pointed to the reluctance of most countries to give their aid through such bodies, and commented that it was better for needy countries to have tied aid than none at all.

An Indian participant brought up some of the feelings about aid within India itself. The Indian Prime Minister had suggested as a slogan 'aid to end aid', under the influence of criticism aroused by India's over-dependence on aid. The government thought it had used aid well, and there had been no scandals, though no doubt there had been some waste. However, many intellectuals were wor-

ried about aspects of American and Soviet aid, on the ground that much of it went on salaries and physical comforts for visiting experts, and also because the government seemed not to give enough scope to local initiative and know-how in areas in which Indians were themselves expert. There was a strong feeling that India could do with less aid, especially in the expert field. An Australian agreed that some experts brought to India were not worth the effort. Indians could often do the job better, especially in agriculture. 'Aid to end aid', however, might be a dangerous slogan, if it were allowed to impede the gathering of aid to end India's foodgrains problem. Once this was solved, it would be easy to make other forms of assistance more commercial than they had been in the past.

Part V

Synopsis

The Conditions for Co-operation

J. D. B. Miller

It is sometimes stated in Western circles that there ought to be greater co-operation between India, Japan, and Australia, especially in the military sphere. This statement often arises from consideration of the positions of China and the United States, viewing China as the state which needs to be contained, and the United States as the state which, while containing it at present, cannot be expected to do so forever and certainly cannot be expected to continue to do so alone. It is the search for some more local containment of China that usually leads to the suggestion that our three countries should get together. As examples I shall take two versions of this suggestion.

The first is from Alastair Buchan, the Director of the Institute for Strategic Studies in London, writing on the possibilities of an Asian balance of power:

The problem then of developing an indigenous system of counter-vailing power in Asia is not to deter a full scale Hitlerian assault against [China's] neighbours, but to prevent her isolating individual Asian countries, as she has attempted to isolate India, to prevent the internal structure of countries from deteriorating to a point where she deems them ripe for revolution, as she clearly judged Indonesia ripe between 1963 and 1965, and to prevent their relations with each other from deteriorating to a point where she acquires a diplomatic opportunity, as she did with Pakistan several years ago.

What seems worth contemplating is not any form of integrated military alliance in free Asia, but a diplomatic coalition of the stronger Asian powers, each with a subordinate sphere of responsibility of its own. The core of the system would be a treaty of mutual co-operation between India, Australia and Japan (such a treaty need not be too specific on the subjects of co-operation). It would be desirable that such a treaty should also embrace Pakistan and Indonesia, but clearly time must elapse before Pakistan and India are ready for any form of diplomatic co-operation, still less to join in a defence union, while the final direction of Indonesian policy is not yet clear. Such a tripartite (in the first instance) arrangement should establish a forum of close and con-

tinuous diplomatic and military discussion between the three countries perhaps with a small joint staff to co-ordinate intelligence and planning.¹

Buchan then goes on to indicate the subordinate spheres of responsibility of each of the three: Australia with New Zealand, Malaysia, and Singapore; India with the Himalayan states; and Japan with South Korea.

My second text is from a reply by Paul Hasluck, the Australian Minister for External Affairs, to a question at a Moral Re-Armament World Conference in Canberra in January 1966. The question related to a statement by a Mr Gandhi about a triangle of nations comprising Japan, India, and Australia. Hasluck said:

Looking at the Asian situation one sees quite plainly that outside mainland China, the two actual and potential strong nations are Japan and India. If one thinks of population, technical and scientific advancement, industrial capacity, commercial activity and so forth, Japan and India are the two great nations of Asia. Looking beyond the continent to other countries in this region, I think in Australia we have to be conscious of the fact that, while not as great in population as many, in industrial strength, technical, scientific strength, standards of living, commercial strength, economic capacity and that sort of thing, Australia makes a third, particularly when Australia—and I say this without indicating any territorial ambitions—Australia is linked with New Zealand. The combined resources and capacity of Australia and New Zealand do represent a third. If we are to think of a contribution to the rebuilding of Asia, it seems to me that the three powers best fitted by their resources to make a massive contribution, in the region itself, to the rebuilding of Asia are Japan, India and Australia. I like to think of them as possibly the three points on which the legs of a tripod might rest in order to support a great contribution to Asia. Of course this sort of thing is already starting. The Asian Development Bank which was recently formulated at Manila depends to a very large extent on the contributions of those three countries . . . allied of course to contributions from outside Asia. . . .

I do not think that Asia can be made wholly secure in a short term or that Asia can be reconstructed economically and socially in a short term solely from Asian resources. The rest of the world has to take an interest in this . . . but eventually it must be the countries of the region that take over the job and in those circumstances I think we must place great hope on these three. There is one final point, which I am sure Mr Gandhi made, that these are three countries which, in matters of political advancement, do have the representative character—the broadly based representative character in their government that unhappily some other countries do not have.²

¹ Alastair Buchan, 'An Asian Balance of Power?', *The Australian Journal of Politics and History*, vol. XII, no. 2, Aug. 1966, p. 278.

² *Current Notes on International Affairs* (Canberra), vol. 37, no. 1, Jan. 1966, p. 20.

These two statements are not the same in focus or emphasis, but they both suggest a basic identity of interests between India, Japan, and Australia, sufficient to support co-operation in the diplomatic, economic, and (in Mr Buchan's case) military spheres. Mr Buchan throws the emphasis on their common wish to develop counter-vailing power in order to restrain China, Mr Hasluck on their comparable or complementary resources for Asian development and their possession of representative government. It is not difficult, however, to imagine the two men agreeing on much of what they hoped to achieve from closer co-operation between the three countries. The questions I want to ask relate to the feasibility of such co-operation. What interests can the three be said to have in common? Are these interests sufficient to encourage co-operation? If so, what form is it likely to take, and how effective will it be? What are the main obstacles to success?

We may begin by asking what 'co-operation' is between states, and what is likely to bring it about. It is a loose term, commonly applied to almost every kind of contact that promotes shared interests. But it often seems to me to be misapplied when used to describe such obvious forms of interaction between states as trade and the flow of communications. Countries which trade with one another on ordinary commercial terms and which facilitate postal communications between their citizens by adhering to the requirements of the Universal Postal Union can hardly be said to 'co-operate', if the word is to have any meaning. Even those which are associated through international investment and economic aid may not be co-operating in any more than a formal sense. To adhere to the rules of the international game, as understood at any given time, is not to co-operate in any active way; it is simply to recognise that international society has certain minimum rules and customary practices, and that there is normally more advantage in keeping to these than in breaking them. If we are looking for co-operation such as Buchan and Hasluck have in mind, and people mean when they say that India, Japan, and Australia ought to co-operate more, we must look for something more than observance of the ground rules of international society. So it is not enough, when seeking signs of co-operation between particular states, to show that they exchange ambassadors, have occasional ministerial visits, exchange goods, practise tourism on one another, or even take part in aid schemes. These transactions can all occur between states which are largely indifferent to one another, and even sometimes antipathetic. For example, a state which gives aid on a large scale and over a wide area, such as the United States or Britain, can hardly be said to be co-operating with all its clients: in certain cases the aid is given in order to prevent unfavourable comparisons be-

tween the donor's own efforts and those of other donors, or between the aid given to one beneficiary and another; in others it may be intended to forestall efforts which rivals may make or to preserve advantages which the donor already possesses in the beneficiary's territory and wishes to retain.

In our context, co-operation means working together to achieve common ends. It need not go so far as formal alliance, and it certainly does not involve integration of the states, if by this is meant their amalgamation into one. But it does involve more than belonging to the same international organisations or concluding trade pacts. It presumably requires some identity of purpose in significant fields of action, together with some willingness to trust one another and some preparedness to take risks, and, in certain circumstances, to make sacrifices in support of one another. It is the sort of condition that has existed at times between Britain and France, Britain and the United States, and Canada and the United States, and amongst the Scandinavian countries. It is neither a frequent nor a normal condition in international relations, but it is what would be needed to give substance to the hopes of Hasluck and Buchan.

It will be seen that I am giving to 'co-operation' some of the features associated with 'pluralistic security communities' by Karl Deutsch and his associates, although their concern is largely with the absence of war amongst the countries concerned, while mine is with the countries' propensity to act together.³ States which might be expected to co-operate in the ways that Hasluck and Buchan have in mind would need to constitute a security community, in the sense that war between them would be most unlikely; in addition, however, they would need to see the importance of positive joint action, even perhaps to the point of war waged in company. How might such a condition arise?

Two circumstances sometimes suggested as automatically creating co-operation between states seem to me not to have the importance with which they are usually credited. They are similarity of political systems, and substantial contact through trade and other economic means. It is comforting to assert that states with parliamentary systems will get on well together, but this is the sort of assertion that has to be accompanied by the dampening qualification, 'other things being equal'. Each state normally pursues what it regards as its vital interests. The fact that other states have similar constitutions is not, in itself, reason to regard support for them as in one's own vital interests. India, for example, has shown no disposition to

³ See Karl W. Deutsch *et al.*, 'Political Community and the North Atlantic Area', first published 1957, reprinted in *International Political Communities: An Anthology* (Anchor Books, New York, 1966). For pluralistic security communities, see especially pp. 44-8.

support Israel because both India and Israel are democracies; instead, it has supported Egypt and the other Arab states because it considered that its vital interests required the support which they could give it in return. States with roughly similar political systems like to make much of the fact when they have decided, for other reasons, to act together; but it rarely, if ever, forms a prime reason for their connection. Once democracies have decided to work together, they may find that they share certain assumptions and practices, even if only in regard to procedure. This may well prove a help in dealing with practical problems, but it does not, in itself, provide a reason for co-operation; and it may well be overlaid by national assumptions which demand that democracy be interpreted in a particular way.

States which trade together develop a certain common interest in the preservation and enlargement of the trade, but this is subject to revision when internal economic conditions change (especially when local producers demand protection against the former trade partner), and is liable to be submerged by insistent political demands, especially of a nationalistic character. The considerable trade between France and Germany did not prevent their going to war with one another in 1914 and 1939. The considerable trade between Australia and China would exercise no decisive influence on Australian policy if it was decided that China had shown designs which threatened Australian interests (for example, if China intervened in the Viet Nam war). Moreover, both trade and investment are capable of causing political reactions adverse to co-operation in the sense in which the term is used here. If one state is heavily dependent on another for development funds or markets, the cry of 'neo-colonialism' is easily raised: the experiences of the United States with Latin American countries amply exemplify the political difficulties which an imbalance of economic strength can create, and which an increase in economic interaction under such conditions can actually exacerbate. This is another case in which we should append 'other things being equal' to our assertion that states are likely to co-operate if they are involved economically with one another, though we should recognise that established trade does encourage a predisposition towards co-operation.

In seeking the circumstances which might give rise to substantial co-operation between states we need to remind ourselves that co-operation is not a normal condition, and in many ways cannot be regarded as even a natural one, in the teleological sense of being likely to develop unless something intervenes to inhibit the development. The sovereign state is not in the first instance a machine for instituting co-operation with other states, although it can be used for this purpose. Rather, it is a means of maximising the joint and

several advantages of the people of a particular country, if necessary at the expense of others. Through a variety of protective devices, and through its assertion of national identity and national interests, the state emphasises the uniqueness and importance of its own citizens. Such a situation may well encourage indifference or even at times hostility towards other countries, rather than the urge to co-operate with them. It is true that states value the preservation of a minimum level of international good manners, and that they do not often make threatening gestures towards one another. But the determination to co-operate with others in ways such as Buchan and Hasluck indicate demands much more than normal goodwill.

I am not sure that we can stipulate with certainty any generalised causes of that determination, apart from those which we associate with particular cases; it may be that each case has to be treated in its own right, and that international co-operation, in the sense in which I am using the term, arises in response to special situations which do not reproduce themselves in any but the sketchiest similarity. With some hesitancy, I suggest that historical experience directs our attention to at least five conditions which might lead to, or assist in, co-operation between states. They are similarity of cultural background; economic equality (or the lack of economic inequality); the habit of association in past international enterprises; a sense of common danger; and pressure from a greater power. My reasons for picking these can be briefly stated.

Similarity of cultural background obviously helps to make the idea of co-operation credible: it operates with the Scandinavian and English-speaking countries, it is a powerful force amongst the Latin Americans, and it convinces the Arab states that they ought to act together. Conversely, its absence makes co-operation more difficult: if countries have to learn new languages, get to know one another's histories as totally new exercises, comprehend social systems quite different from their own, and take account of systems of values which at first sight do not make sense, they are obviously presented with obstacles to co-operation. But the position of the Arab states illustrates the weakness of a common cultural background as a sole determinant of political co-operation. No group of states has so much in common, so far as language, history, and religion are concerned. Every Arab leader agrees that there should be Arab unity. But each is convinced that this unity should be achieved on his own terms, so as to suit the interests of his own state. The Arab states continually fall out because they are not prepared to make sacrifices in one another's interests. The assumption of Arab unity, created by the similarity of cultural background, itself becomes a stumbling-block to effective co-operation: the Arabs are perpetually being presented with 'all or nothing' solutions which

make compromise impossible. This is a case of co-operation lost up a blind alley, although the reasons for wanting it are clear enough.

I have chosen economic equality, or lack of inequality, because it seems to me that states are more likely to co-operate when there are no great disparities between them in resources. Big states seek leadership, and small states become vexed at the need to defer to big states, in a good many international situations. The conventional diplomatic assumption of equality between states is not just a picturesque survival, but a form of recognition that, unless states preserve the fiction of equality, negotiation may degenerate into gangsterism and blackmail. If states are to co-operate in an active way and not just observe the rules of international society, this formal equality probably needs to be matched with some kind of actual equality, in which, while each party has something different to contribute, the contributions are roughly similar in their impact, and no party consistently outweighs the others.

The habit of association in past international enterprises seems to me one of the most powerful inducements to co-operation, although it operates selectively and is subject to considerable inhibition when political leaders choose to make it so. Put simply, it means that states which have been together in past endeavours can always recall these when they wish to mobilise support for new ones; it also means that, if the past association has been recent, purposes and procedures which applied in one set of international difficulties can form the mode of approach to new problems. The association between Britain and Greece is an example of the first of these situations, the twentieth century 'special relationship' between Britain and the U.S.A. of the second.

A sense of common danger is usually regarded as the most powerful incentive to co-operation. As an example of this view at the vulgar level, we may note how often science fiction writers assume that earthly conflicts would be forgotten if *extra-terrestrial* dangers appeared: an attack from Mars is universally assumed to cause states to forget their differences and unite to meet the common danger, although individual persons and particular states are sometimes shown co-operating with the invaders. The science fiction writers may not be right, but they testify to the force of experience of alliances in war, and to the fact that common danger often makes strange bedfellows. We can regard a sense of common danger as a powerful agent towards co-operation, while recognising that such a sense may not last (as it has not lasted in NATO), and that, even if it is present, it may not lead states to agree on the best way of meeting the danger. Many states in Europe in the 1930s had reason to regard Nazi Germany as constituting a common danger, but this

was not sufficient to bring them together in agreement about what should be done.

Pressure from a greater power may certainly have the effect of bringing states together. The pressure may be strong or subtle, open or concealed, military, political, or economic in character. Eastern Europe since 1945 under Russian influence, parts of it in the 1920s under French, Western Europe from 1945 onwards under American, and Latin America at various times under American, can be used as examples. Whether this is co-operation in the full sense in which I am using the word is debatable. Pressure may assist existing influences, as it has in the economic field in Western Europe, in which case it is likely to encourage co-operation; it may also be applied where little or no local urge exists (as in the ill-fated British efforts at a Middle East Defence Organisation in the 1950s), in which case it may lead to greater isolation of the parties than before. But, if conditions are favourable, the benevolent interest of a major power will probably consolidate co-operative arrangements between lesser states, especially if they are given concrete benefits.

These five conditions are not exclusive,⁴ and I have not tried to construct a calculus of how they might operate in combination with one another. In the abstract, it would be possible to work out a series of combinations between them, so as to suggest, for example, the extent to which the absence of a similar cultural background and/or a certain economic equality between states might affect the extent to which they responded in concert to a common danger. Historical experience could inspire such a calculus and check its results. Here, however, I shall concentrate on applying these conditions to India, Japan, and Australia, asking whether the conditions seem to be present to an extent sufficient to cause these states to co-operate in ways more significant than the ordinary rule-keeping of international society.

The cultural backgrounds of the three countries are clearly different, although all have something in common through their experience of modern education, with its emphasis on science and technology, and through the acquaintance of their élites with the standards and assumptions of contemporary international society. Moreover, while India and Japan have their own highly distinctive cultures, the influence of Britain in the one case and of the United States in the other has given these two countries a degree of participation in the common modes of thought of the English-speaking

⁴ For example, I have omitted geographical contiguity, which many people would regard as an important influence in promoting co-operation. There is little point in listing it in a paper concerned with India, Japan, and Australia, which so clearly lack contiguity. Perhaps its absence should be kept in mind, however.

countries, of which Australia is one. Fundamentally, however, India and Japan are civilisations of a quite distinctive kind, with little in common between them, and with little contact with the bases of European civilisation. Each is a civilisation, not only in having its own special ways of thinking and doing, but also in the self-absorption which characterises it. Although Indian and Japanese élites show considerable eagerness to find out what other countries have to offer, both societies are highly self-sufficient in their absorption in their own affairs and in their reliance on local tradition. Each is, to itself, the centre of the world. Australia, in contrast, is a derivative society which has managed to construct many of its own *mores* but is still heavily dependent on Britain and the United States for ideas.

The existence of different cultural backgrounds gives the three countries different views of the world, to augment the different perspectives with which their geographical location would naturally provide them, and the preoccupations which their historical experience has created. Discussion can usefully proceed on what these different views are, and what influence they have. It is sufficient here to state the obvious: that India is primarily concerned with the sub-continent and the adjacent areas from which influence has come and to which it has been extended, such as Afghanistan, Burma, Ceylon, Malaysia, Indonesia, and the Middle East—and, of course, Pakistan; that Japan concentrates on East Asia, and that its views on China are different from those of countries like India and Australia, which owe nothing to Chinese civilisation; that Australia has given first place to its relations with Britain and the United States, and that other English-speaking countries such as Canada and New Zealand always bulk large in its associations. The three states look in different directions because of their cultural backgrounds. But this is no bar to co-operation, provided other reasons for it are strong. The point is rather that, in the absence of other such urges towards co-operation, the lack of a similar cultural background will be an obstacle to easy contact. Even if other urges are present, the absence of the mutual sympathy which a common cultural background provides may prove serious in its effects. Did Japan ever achieve sympathy with Nazi Germany and fascist Italy, in spite of their common anti-communism? Was there any more to the association than a limited form of convenience for a short time, similar to that which existed between the Soviet Union and the Western powers between 1941 and 1945? The association between the United States and Latin American countries, until recent times, had much the same character of an uneasy connection between countries obviously brought together by circumstances but unable or unwilling to appreciate one another's background. It is an open

question whether the cultures of India, Japan, and Australia provide common ground for more than international good manners.

On the issue of economic equality it is difficult to arrive at a firm conclusion. There would be a rough equality of capacity between India, Japan, and Australia if all three were asked at short notice to provide naval, military, and air contingents to a joint operation somewhere in Asia. But if the emphasis were laid on the capacity to produce substantial manpower, India would be the dominant partner; if it were laid on capacity to produce sophisticated weapons in the long run, Japan would be; if it were laid on the capacity to sustain high standards of living, Australia would be in the lead. Of the three, Japan presumably has the greatest capacity for self-sustained economic growth, and India the least. In terms of population, Australia is the weakest of the three; in terms of unexploited resources (omitting manpower), it may be the strongest.

There is, then, inequality in different forms of economic strength, but no single one of the three is dominant in all fields. Any system of comprehensive co-operation would mean that somebody was always dependent on somebody else for resources in a particular situation. Between countries of such widely differing standards of life and population sizes, there could hardly be equality of sacrifice in any given enterprise, whether it involved making war or developing economies. Probably the most difficult aspect of inequality, however, would be the manifest difference between India and Japan in capacity for economic growth. Any notion of equalising Indian and Japanese standards through co-operative action would be illusory; and both states would presumably know it. Tensions would be bound to grow if both were involved in any scheme of major economic development, whether for themselves or for Asia as a whole. This, in my view, makes Hasluck's point about co-operation in economic development difficult to accept. More is made of this below.

Habits of past association do exist between India and Australia, but not between either of these and Japan. The Indian-Australian association in World War II has some military significance, which is presumably diminishing. The fact that India and Australia are both members of the Commonwealth of Nations has involved them in a great many consultative arrangements since India became independent; at the government level these have had some effect in acquainting the two states with one another's peculiarities and assumptions, but there has not been much impact on public opinion on either side. India and Australia have not been engaged in any substantial act of continuing co-operation. India's non-alignment and Australia's preoccupation with SEATO, ANZUS, ANZAM, and the military consequences of these, have meant that, while the two

were not actively opposed, they were not closely associated in any military endeavour other than Commonwealth staff talks and joint exercises. Economically, Australia has been a donor to India, which is the biggest recipient of Australian aid; but Australian aid has been very slight alongside that given by Canada, and not comparable with aid from the United States, the Soviet Union, Britain, and the Western consortium. India and Australia are unaccustomed to working together, although their representatives at international gatherings respect each other's viewpoint.

The important thing in considering the three, however, is not that one can trace certain habitual connections between India and Australia and hardly any between either of these and Japan (apart from trade connections, ministerial visits, etc.), but that each of the three has its own distinctive way of handling international connections, especially in the military sphere. Of these, only the Australian makes co-operation habitual. India has had a great many connections since independence, especially in pursuit of non-alignment; but only in the Congo have Indian troops fought alongside other troops, and then for only a brief time. India goes its own way in military terms, preserving its forces for possible use against China and Pakistan, and otherwise refraining from the whole Western enterprise of containing Communist subversion and invasion in Asia by military means. Japan, while somewhat closer to this Western line through its Security Treaty with the United States, takes no active part in any military operations. Australia, on the other hand, has been involved in the Korean, Malayan, Malaysian, and Viet Nam conflicts, each time in pursuit of its policy of support for great and powerful friends regarded as vital to Australian security. The Australian habit is of co-operation with others in military effort; the Indian and Japanese habits are of unilateral action in the one case and lack of action in the other. Independent India has never had any ally; Japan has an ally but has had no experience of fighting in co-operation with others since World War II. Indeed, it can be argued that the alliance in which Japan was then involved was one in name only, since it did not involve joint military operations. Japan has, in fact, not worked with allies since World War I; even then the contact was slight. These attitudes to co-operation must obviously have a bearing on Buchan's ideas of diplomatic co-operation which takes the form of a treaty, even though the treaty is not meant to be specific.

It is the sense of common danger that provides the greatest prospect of a firm foundation for co-operation between the three. If Communist China did not exist, they would not be likely to act together beyond the minimum required by international good manners and their own economic interests. But China does exist; and one

can imagine situations in which each might look for support against it. India looked around desperately for help in 1962. Australia has not asked for help specifically against China, but the whole thrust of Australian foreign policy is towards insurance against China through as strong a coalition as possible, with the United States as its principal element. Japan, of course, is not officially concerned about China, and displays a greater mixture of attitudes towards its possible future than either India or Australia; but a more active Chinese policy might change this. It is the idea of containing China (and relieving the United States of responsibility so far as the mainland of Asia is concerned) that actuates Buchan's proposal. If anything can bring the three countries together in continuous co-operation, it is concern about China. But we must keep in mind several qualifying factors.

The first is that China appears as a different sort of entity to each of the three. To Indians it is primarily a sinister force bent on humiliating India, seizing the initiative in Asia, and fostering subversive movements which, within India itself, might prepare the way for eventual Chinese dominance of India. To Japanese of various persuasions it is an errant elder brother, a workshop of socialism, an area of economic opportunity, a power formerly controlled and perhaps capable of being controlled again, a nationalistic force currently using Communist slogans but mainly to be seen in its past light. To Australians China is the power which might repeat the performance of the Japanese in 1941-2, the motive force behind much of the Communist subversion in Asia, a nationalistic force which has gained extra impetus through its assumption of Communist philosophy. The Indian and Australian views are closer to each other than either to the Japanese; Australia, not Japan, came to India's help with supplies in 1962. Of the three, however, Japan has the greatest experience of China, both past and present. Japan is the state likely to be most deeply involved with China. Any scheme of co-operation must therefore accommodate Indian and Australian apprehensions, expressed largely in military terms, with Japanese determination to increase contacts with China and to avoid provocative military postures.

Secondly, granted that each of the three shows some measure of concern about China, they have their different ways of safeguarding themselves. The Indian position is at present grounded on the vague notion of joint guarantee against China by the United States and the Soviet Union, although there is no precision about the circumstances in which this guarantee might be exercised, or about the means that might be employed. India has rejected the notion of co-operation with the United States in such ventures as the Viet Nam war, trusting that the American desire not to

allow such a vast state as India to fall under Chinese domination, and the American wish not to have the Soviet Union as the dominant associate of India, would make the United States responsive to a call for help if India were in extreme danger. The Indian position is, in essence, a calculation based upon the disadvantage which both the Soviet Union and the United States might suffer if China were to dominate or even humiliate India. Japan, while clearly its government has some apprehension about possible Chinese dominance (especially since China acquired nuclear capacity), has been able to rely upon a specific American guarantee which was not sought by Japan in the first place and which derives from American, rather than Japanese, interests. Even if the United States were to withdraw from Okinawa to its other Pacific bases, Japan could still regard itself as protected against Chinese attack, although the nature of the protection (possibly nuclear threat or nuclear reality) might well prove unacceptable to many Japanese.

Neither India nor Japan feels called upon to give active support to the American position in Southeast Asia. Australia does. The Australian desire is to preserve stability in the small states of that area (that is, to prevent their being taken over by local Communist movements) and to keep the United States actively involved in this endeavour. Wars at a distance, or a 'forward strategy', commend themselves to the Australian government. Even more important, however, is the notion of a continued American presence in Asia to ensure that no Asian power renews the role formerly taken by Japan.

So far as meeting a common danger is concerned, the past behaviour of these three states suggests that only Australia would be prepared to go to the aid of the others, rather than simply call for help when it was itself in trouble. This would be a natural extension of the Australian response to the Korean, Malaysian, and Viet Nam situations. To say this is not to assert a superior moral position for Australia. One can argue that states like India and Japan, with common borders or something very close to common borders with China, could hardly be expected to provoke such a large and dangerous neighbour by either gratuitously going to war with its friends (such as North Korea and North Viet Nam) or sending it ultimatums when it was attacking or subverting another state somewhere else. Australia, in contrast, is far removed from China and can for the time being safely engage in harrying activities against China's associates, without fear of Chinese retaliation. Moreover, Australia has a long tradition of taking part in other people's wars: the Boer War and World Wars I and II can be added to the list of those which Australia entered without an

obvious territorial interest. Indian and Japanese traditions, as we have seen, do not lie in this direction. It would require a considerable change in those countries' habits for them to come to other countries' assistance.

Perhaps pressure from a major power might cause such a change. It seems likely that American policy-makers would welcome any arrangement between India, Japan, and Australia that lessened the Asian police burden now on American shoulders, and diffused the pressure which China and its associates are at present able to concentrate on the United States. 'More flags in Viet Nam' is really an equivalent of 'more flags in Asia'. But this does not mean that the United States would be prepared to exert substantial pressure on the three countries to come to an alliance of the kind envisaged by Buchan. Suggestion is one thing; substantial pressure is another. The United States has not had uniform success with pressure of the kind that would be required (for example, in Western Europe, over Kashmir, in the Middle East); although some American voices would probably demand it, others would assert that the Indians and Japanese would not respond to pressure, which might well turn out to be counter-productive in its effect on American interests in Asia. India and Japan are both tender spots in American foreign relations. Australia is not. It is probably esteemed as the most reliable and loyal ally the United States has, in spite of its relative lack of fighting capacity. The United States might well prefer to see Australia suggest continuing co-operation between India, Australia, and Japan, rather than do so itself. The project would, in any case, under present conditions be a long-term hope rather than the kind of immediate objective which a state considers it must achieve, even at the cost of some unpopularity. If China's international behaviour changed radically, however, this sort of priority would presumably change with it.

Putting the various conditions for co-operation together, it seems that, if there is to be co-operation of a significant and continuous kind between India, Japan, and Australia, particularly in the military sphere, it will come about if they agree that China is a pressing threat to each and all of them, if they can individually see advantage from seeking one another's help, if they can reconcile their different views of how danger from China can best be dealt with, and if they can fit a new form of association into their existing patterns of international connection. Here the crux of the matter is their several relations with the United States. In the absence of these conditions, especially the first and last, the inhibiting effects of their differences of cultural background, their differing economic prospects, and their differing habits of international action are likely to keep them apart.

As things stand, favourable conditions for co-operation seem fairly remote, when viewed in political and military terms, as they have been viewed here. It might be asked whether they would be brought closer by greater economic connections between the three countries. This point is worth pursuing, especially since Hasluck based his view of possible co-operation on economic development, and economic means are often suggested as the best for increasing co-operation between states.

The three states have different aims in their economic aspirations. India is mainly concerned with its internal problems of development, so much more difficult and desperate than those of the other two countries. International economics for India is only to a slight extent a matter of trade: it is much more a question of aid and investment, although the prospects for foreign investors are marginal. India is, of necessity, a country seeking help. Japan, in contrast, needs no external assistance and seeks trade and opportunities for fruitful investment elsewhere. Australia is marginally concerned with giving aid (not with receiving it), but actively seeks trade opportunities and offers attractive prospects for foreign investors. These differences operate to make Australia and Japan natural partners in trade and investment, but to leave India as a kind of awkward third party. Both Japan and Australia trade with India, both give aid, both could make investments; but in none of these spheres would India be a first choice, and there is little prospect of either of the two rich countries swinging its attention to India from the other countries which normally attract it. If present trends continued, Japan and Australia would get richer, but not India. The existing basic inequalities would, if anything, be accentuated. At present, the Japanese attitude towards Indian development appears to be that India is 'too hard', that the task of turning India into a modern economy is either impossible or so difficult as to be manageable only by a consortium of all the rich countries, not by Japan on its own. Australia can provide good intentions and certain forms of practical aid, but does not possess the resources needed for any substantial improvement in the Indian position.

I conclude, therefore, that closer economic association in anything but the normal forms—gradual increases in trade, aid and investment to India, massive increases in trade and investment between Japan and Australia—is unlikely, and that we cannot expect economic considerations to lead to closer political association between the three, although they will probably help to bring Japan and Australia into closer sympathy.

In general, the obstacles to co-operation seem to be more influential at present than the aids to it. But one must beware of making too much of present conditions: the temptation to project

them into the future is always great, while the alternative, of recognising that basic international determinants may radically alter, is harder to accept. If either China's or the United States's stance in international relations changes radically, India, Japan, and Australia will be forced to reconsider their habits of ensuring their own security. More menace from China, coupled with any significant American withdrawal from the mainland of Asia, would cause all three to look for new associations, even if they tried to preserve what they already had. Certainly it is fair to say that none of the smaller states of non-communist Asia would provide such strength in association as these three together. The comparative size, importance, and modernity of the three bring them readily to mind when speculations such as Buchan's and Hasluck's are being made. It is important, however, to recognise that a major shift in the general Asian or world situation would be needed to urge them to work together as a threesome to a greater extent than they do now.

DISCUSSION

Professor Miller briefly summarised his paper, adding that, if he were to rewrite it after the week's discussions, he would add two points. First, in considering the differences of approach to military co-operation of the three countries, he would suggest that Australian policy was affected by a 'collective security mentality', shared with Britain and the United States, but not with either Japan or India—that is, that the experiences of the 1930s and 1940s had given Australia the idea of a collective front of powers standing up to an aggressor, a view which, for historical reasons, was not shared by Japan and India. Second, he would add to his conclusion the observation that, while trilateral co-operation would be difficult to achieve between the three countries, bilateral co-operation between Australia and India on the one hand, and especially between Australia and Japan on the other, would probably grow. He would not be prepared to say that bilateral co-operation between Japan and India was likely.

An Indian participant, reviewing the proceedings of the conference in relation to Professor Miller's paper, wished to stress that, although India rejected the idea of containment of China, a sense of common danger between India, Japan, and Australia might lead to closer connection between them. The Japanese government, he thought, was more of this mind than some Japanese intellectuals. He did not agree that India was not 'collective security con-

scious'; if and when a world security agreement was organised by the UN, India would be one of the first to join. If the Chinese overreached themselves in Southeast Asia, both India and Japan might send troops to a UN-organised force; but under present conditions it would be counter-productive to send troops to assist the United States. The main reasons for getting together with Japan and Australia were economic, and here, while India might at present be an 'awkward third party', she did not intend to remain such. While she was now a beneficiary, she had made progress which the statistics did not reflect, and would make more. There were no particular obstacles to co-operation with Australia. With Japan there were difficulties through not being in the 'Confucian family' (although it should be remembered that Buddha was an Indian). Japan might be disillusioned with India, but many Indians were disillusioned with Japan after India's position on war crime trials and India's firm support of Japanese entry into the UN.

A Japanese participant said there was a possibility of co-operation not examined in Professor Miller's paper, that of the promotion of a *détente* between China and the outside world; this would be in the interests of both Western countries and non-Communist Asian countries. If the ten years before China obtained ICBMs were used only to increase military force, tension would be worse, to the detriment of Japan, India, and Australia. Professor Miller replied that he did not think this suggestion conflicted with anything in his paper, although it should be recognised that the governments of all three countries, while each anxious in its way to reduce tension with China, were also anxious not to strain their relations with the United States; some balance between *détente* and firmness was therefore necessary, especially in view of the violent attitude which China was now taking towards all outside countries.

An Australian, reviewing the discussions, thought there had been a tendency to take narrow nationalistic lines at times, and not recognise the interplay of world politics. It was important to remember Gupta's point that Europe, the Soviet Union, and the United States might all lose interest in Asia; this was a good time to husband whatever goodwill and mutual trust could be achieved between the three countries. From a Japanese angle, this point was supported, with the thought that, while Japan was normally accustomed to view the world in terms of economic possibilities, the present might well be a transition period, in which Japan took much longer views of its relationships with other countries, especially India, and of the international context in which Japan had to act.

Two Australians criticised the paper from related aspects. One maintained that the view of international relations put forward,

especially in regard to the operations of the sovereign state, was too negative, and did not give sufficient weight to the demands from within countries for greater international action. The other said that the positivism of the paper, which treated 1967 as if it were 1867 or 1767, was probably not the best style for such a conference: the need was for a more normative approach. From this standpoint it was maintained that more weight should be given to the diplomatic and strategic considerations which the three countries held in common. In each there was concern about China, and concern about the policy of the United States. While the reasons for these concerns differed a good deal as between the three countries, they provided the ground on which India, Japan, and Australia might consult. This was not co-operation as Professor Miller had defined it, perhaps, but it was important nonetheless.

In reply, Professor Miller said the picture of the sovereign state in his paper was not a full portrait, but was intended to indicate some of the characteristics of the sovereign states which any schemes for international co-operation had to cope with. He agreed with the view that the basis for consultation between the three countries did exist.

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