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A confluence of interests: Australia realigns with the US, 1951–57

The government of Robert Menzies oversaw the signing of the ANZUS Treaty in 1951, marking the realisation of the Pacific security pact long coveted by the Australian government. By 1957, Australia had announced its decision to standardise military equipment for cooperation with the US. Some have pointed to these developments bookending the period 1951–57 as key markers of Australia's realignment from imperial ties and the British sphere of influence to that of the US and Cold War dependency. Such assessments tend to depict Australia's realignment with the US as inevitable and seamless. Thereafter, Australia's foreign policy ostensibly paralleled US directives.¹ Joan Beaumont judges this to be a 'grossly simplistic' assessment.² The Menzies government's foreign policy, at least until the 1957 endpoint of this book, can best be understood as an uneven transition to the US order as the government was forced to make frank assessments of Britain and the US, their priorities and capabilities and which relationship best served Australia's national interest.

1 See T.B. Millar, *Australia's Foreign Policy* (Sydney: Angus & Robertson, 1968); Alan Renouf, *The Frightened Country* (Melbourne: Macmillan, 1979).

2 Joan Beaumont, 'Making Australian Foreign Policy, 1941–69', in *Ministers, Mandarins and Diplomats: Australian Foreign Policy Making, 1941–1969*, eds Joan Beaumont, Christopher Waters, David Lowe and Gary Woodard (Melbourne: Melbourne University Press, 2003), 3.

This chapter is grounded in the uncertain and incompatible strategic planning of Britain and the US, exploring Australia's efforts to forge a partnership between the British Commonwealth (specifically Australia, Britain and New Zealand) and the US, built around a common goal of South-East Asian security. In the wake of the 1954 crisis in South-East Asia, Australia came to accept the unfeasibility of coordinating US and British priorities in the region, deciding to put its faith in US-led regional defence arrangements, particularly the Southeast Asia Treaty Organization (SEATO), and its vision for the region. As Britain's declining global power became apparent to the world in a series of crises and policy realignments, the Australian government was forced to acknowledge that the nation could no longer provide for its defensive or economic security on its own. This realisation hastened Australia's move into the US sphere of influence, marking the departure from the Australian–British relationship of patronage and protection that had existed for 170 years.

ANZUS, ANZAM and the search for strategic planning

Prime Minister Robert Menzies opened Parliament in 1951 with a warning that the nation had no more than three years in which to prepare for a global war. The establishment of the Department of Defence Production and the Department of Supply to oversee government-operated factories for the production of defence goods, the introduction of the *National Service Act 1951* and plans to commit a wartime expeditionary force to the Middle East to support British interests there are indicative of the real anticipation gripping Australian policymakers of a third world war.³ In this war, Australia would be fighting alongside Britain and the US, and Menzies accordingly wanted to ensure close consultation in the formation of global strategy. Although the US was militarily more powerful than Britain, Australia continued to value Britain's experience in world leadership and the shared values of the Commonwealth—values that aligned with Australia's national interests more closely than did those of the US.⁴ Accordingly, the Australian government—drawing on the

3 Lowe, *Menzies and the 'Great World Struggle'*, 48–50, 52–3, 88–100; *CPD: Representatives*, 7 March 1951, No. 10, 77–8; *Official Year Book of the Commonwealth of Australia*, No. 38 (1951), 1200–9.

4 For Australian Ambassador to the US Percy Spender's assessment of Britain's values and experience, see 'Spender to Casey, 10 July 1951', cited in David Lowe, *Australia Between Empires: The Life of Percy Spender* (London: Pickering & Chatto, 2010), 145–6.

rhetoric of an alliance of the great English-speaking nations—promoted the protection of the Asia-Pacific region through closer Commonwealth–US relations. For all these efforts, however, Australia faced US reluctance to make tangible commitments to the defence of the Asia-Pacific and struggled to reconcile the fundamentally different strategic priorities of the two major Western powers. The nation was left unable to define its role, in terms of both regional and global strategic planning, and uncertain about what commitments to expect from its two powerful allies.

The ANZUS Treaty, signed on 1 September 1951, was a partial disappointment for Australia. The treaty was a vague and limited commitment and Percy Spender, who negotiated the treaty as Minister for External Affairs (soon after this, he took up the post of Australian Ambassador to the US), lamented to his successor, Richard Casey, that it was ‘difficult to find within the State Department here any real policy on these [Asia-Pacific] issues’.⁵ The reality was that, while the US was conscious of the strategic threats in South-East Asia and the Pacific, it continued to prioritise developments further north.⁶ Spender made it his ambitious personal mission as ambassador to strengthen the Australian–US relationship and encourage a strategic Commonwealth–US partnership. He sought to use the ANZUS framework as a pathway for the exchange of intelligence and strategic planning and to relate planning for South-East Asia and the Pacific to the global planning that took place in the North Atlantic Treaty Organization (NATO) and meetings of the US Joint Chiefs of Staff (USJCS).⁷

The annual meetings of the ANZUS Pacific Council presented the main opportunity to negotiate plans for greater coordination. At the first of these meetings, held in August 1952, Spender and Casey pushed for more details on the allocation of reserve forces to the Pacific and the machinery that would coordinate ANZUS defence planning. The two men hoped to see the creation of a ‘military committee’ of sorts, with a high-ranking Australian and New Zealand military representative attached to their

5 ‘Spender to Casey, 18 March 1952’, NLA: MS 4875/1/1.

6 There is a view that the US used ANZUS to protect the Middle East—the treaty providing a sense of regional security for Australia and New Zealand and, in turn, freeing up forces to be sent to the Middle East. See, for instance, Philip Dorling, *The Origins of the ANZUS Treaty: A Reconsideration*, Flinders Political Monographs No. 4 (Adelaide: Flinders University, 1989).

7 David Lowe, ‘Mr Spender Goes to Washington: An Ambassador’s Vision of Australian–American Relations, 1951–58’, *The Journal of Imperial and Commonwealth History* 24, no. 2 (1996): 278–95, at pp. 282–3, 286–7; ‘Spender to Casey, 18 March 1952’, NLA: MS 4875/1/1.

respective embassies in Washington and granted access to USJCS meetings to ensure the two nations had a voice in global planning.⁸ It soon became clear, however, that the US did not regard the ANZUS Council as a body through which combined military plans would be made. Nor was the US willing to make concrete defence commitments.

Secretary of State Dean Acheson effectively quashed Australia's hopes of being involved in global planning when he declared 'there was no such animal' and, for the time being, the 'only real "plan" was that, on the outbreak of war, we should strike at the enemy's most vulnerable point as soon as he showed his hand'.⁹ Instead, the US focused on political discussions and the importance of having in place a framework for information-sharing in the event of enemy aggression. Rather than the broad-ranging machinery for consultation and military planning that Spender and Casey had envisioned, discussions were narrowed to the annual ANZUS Council meetings, with a political body and a military body, represented by the three member nations' foreign affairs ministries and military chiefs.¹⁰ Any military queries or recommendations put forward by Australia or New Zealand generally remained unresolved, bouncing back and forth between the two council bodies. What plans the US was willing to share were readymade without prior consultation or thought for the interests of the two junior partners.¹¹ With the US unwilling to give Australia and New Zealand equal status in ANZUS defence planning, there was a need to secure an Australian voice through a British Commonwealth–US partnership.

The lack of a military machinery and limited opportunities to participate in decision-making were not the only causes for concern when it came to ANZUS. The treaty also highlighted the British–US struggle for power

8 'Doc. 53, Minutes First Meeting of ANZUS Council, First Session, 4 August 1952', in David W. Mabon (ed.), *Foreign Relations of the United States, 1952–1954, East Asia and the Pacific, Volume XII, Part 1* (Washington, DC: US Government Printing Office, 1984) [hereinafter *FRUS 1952–54*, vol. XII].

9 '1 August 1952' and '4 August 1952', both in T.B. Millar (ed.), *Australian Foreign Minister: The Diaries of R.G. Casey* (London: Collins, 1972), 84–6.

10 'Doc. 69, Appendix A, Lovett (Secretary of Defense) to Acheson, 4 September 1954', in Mabon, *FRUS 1952–54*, vol. XII; "A Note on ANZUS Military Machinery—Its Nature and Tasks", Department of Defence memorandum, 6 October 1952', in Prime Minister's Department: Correspondence files, annual single number series [classified] with occasional C [classified] suffix [Main correspondence files series of the agency], 1913–, NAA: A1209, 1957/4252.

11 Lowe, *Menzies and the 'Great World Struggle'*, 154–5; Andrew Kelly, *ANZUS and the Early Cold War: Strategy and Diplomacy Between Australia, New Zealand and the United States, 1945–56* (Cambridge, UK: Open Book Publishers, 2018), 95–7.

and tensions surrounding strategic priorities in the Far East. To understand these tensions, the ANZAM arrangement and British strategic assessments throughout 1951–52 must be examined. Originally formed in 1949, ANZAM was both an area of responsibility and a service-level organisation designed to coordinate Australian, British and New Zealand wartime command in South-East Asia and the South Pacific. The ANZAM area overlapped with the US Pacific Command and both Britain and Australia saw early on the need for basic coordination with the US. Attempts to coordinate planning began in 1948, when Australia's Chief of Naval Staff, Vice-Admiral John Collins, approached the US Pacific Fleet. After a series of discussions between Collins, who was acting on behalf of Australia, Britain and New Zealand, and Admiral Arthur Radford, Commander-in-Chief of the US Pacific Fleet, an agreement was signed in September 1951. The main feature of the Radford–Collins agreement was the creation of a maritime boundary of responsibility between the ANZAM area and Radford's area of command in which sea communications would be jointly surveyed during peacetime and protected in the event of war. In terms of administrative ease and open communication between Britain and its Pacific dominions and the US, the Radford–Collins agreement was a useful development. Beyond this, however, as both David Stevens and Alastair Cooper note, it did not offer access to the intelligence or high-level strategic planning that Australia desired.¹²

Despite its interests in the Asia-Pacific region, Britain had not been included in the ANZUS Treaty. This exclusion was largely due to the United States' refusal to assume responsibility for defending the nation's colonial interests. Throughout 1952, the British government campaigned for observer status at ANZUS Council meetings, warning against the appearance of weakened British–US and British–Antipodean relations as a result of its exclusion.¹³ While both Australia and New Zealand lent their support to British association, the US was unswayed: ANZUS membership remained unchanged and Britain was not associated in any capacity.¹⁴

12 David Stevens, *The Australian Centenary History of Defence. Volume 3: The Royal Australian Navy* (Melbourne: Oxford University Press, 2001), 163–4; Alastair Cooper, 'At the Crossroads: Anglo-Australian Naval Relations, 1945–1971', *The Journal of Military History* 58, no. 4 (1994): 699–718, at pp. 704–5.

13 "'ANZUS: United Kingdom Pressure for Observer Status', 13 October 1952', NAA: A1209, 1957/4252.

14 'Doc. 54, Minutes First Meeting of ANZUS Council, Second Session, 4 August 1952', in Mabon, *FRUS 1952–54*, vol. XII.

Britain's failed campaign for association with ANZUS coincided with a major review of global strategy. The Chiefs of Staff Committee (COS) concluded that nuclear deterrence was the most effective way to avoid a hot war with the Soviets. This was not so in the case of the Chinese threat to mainland Asia and South-East Asia, which were the areas anticipated to be the most susceptible to aggressive communist insurgencies. Britain needed to establish long-term planning and expand its commitments in the Asia-Pacific region; however, it could not afford to do this alone while also investing in its nuclear capabilities. The COS accordingly recommended the reworking of ANZAM as a strategic planning body in which Australia and New Zealand would assume planning and operational responsibilities for the region.¹⁵ The details of the review of ANZAM were first formally discussed in a December 1952 meeting between Menzies, British Prime Minister Winston Churchill and New Zealand Prime Minister Sidney Holland. The ANZAM review was not simply about negotiating a more equitable distribution of the cost of defending Commonwealth interests; it was also about seeking to counterbalance ANZUS and US domination of the determination of strategic priorities in South-East Asia and the Pacific. To Britain, the outside observer, its exclusion from ANZUS appeared to be a deliberate blow to its influence and an attempt to undermine the Commonwealth relationship. The British government feared that, in the event of conflict in South-East Asia or the Pacific, ANZUS would become the primary planning body—one in which it would have no voice.¹⁶

Neither Menzies nor Holland wanted to see ANZUS debased, and Churchill accordingly reassured them that his hope was to expand the strategic partnership between Australia, Britain, New Zealand and the US with the creation of a joint ANZAM–ANZUS committee as the central machinery for planning and operations in the Asia-Pacific area.¹⁷ The Five-Power Staff Agency, established in 1952 and comprising military representatives from Australia, Britain, France, New Zealand and the US, was the potential framework for an ANZUS–ANZAM linkage. Menzies and Holland agreed that ANZUS, with its exclusion of Britain and broadly defined area of strategic concern, was an inadequate basis for the defence of the Asia-Pacific region as a whole. The men agreed to

15 “Review of Defence Policy and Global Strategy”, COS Report, 7 February 1952’, in Records of the Ministry of Defence, Ministry of Defence: Chiefs of Staff Committee—Reports of the Joint Planning Staff and successors, TNA: DEFE 6/20/17.

16 Umetsu, ‘The Origins of the British Commonwealth Strategic Reserve’, 509–10.

17 ‘Minutes of Meeting between Churchill, Menzies and Holland, 12 December 1952’, NAA: A1209, 1957/4252.

a future meeting of Britain's, Australia's and New Zealand's chiefs of staff committees to discuss ANZAM planning and how to convince the US of its significance. With all this in place, the three men agreed 'it would then follow that the [strategic] planning ... should fall into the hands of a joint ANZUS/ANZAM Committee'.¹⁸

Despite initial support for revising ANZAM, developments were slow. The Australian government feared the Five-Power Staff Agency would subsume ANZAM, ANZUS or both, diminishing what little scope Australia had in regional strategic planning.¹⁹ The government also feared it would offend the US or Britain—a situation that led Casey to question whether 'membership of the Commonwealth precludes any of us from having friends outside'.²⁰ To a certain extent, these concerns were warranted. Britain's vision of an ANZAM–ANZUS linkage failed to appreciate the fact that central to the significance of ANZAM was the protection of colonial interests—interests the US was not willing to defend. As will be discussed, this question of colonial interests and a willingness to defend broader South-East Asia was an early sign of the challenge Australia would face in integrating US and British interests into plans for regional defence.

The joint COS discussions were postponed until mid-1953, during which time it became clear that the Five-Power Staff Agency would not form the basis of military planning and command in South-East Asia and the Pacific. It was an ad hoc body designed to aid in information exchange and consider possible responses in the event of Chinese aggression.²¹ Now was the time to revisit ANZAM and consider alternative approaches to joint US–Commonwealth strategic planning for South-East Asia and the Pacific. Over five days in October 1953, the Australian, British and New Zealand defence chiefs met in Melbourne to discuss ANZAM arrangements. It was decided the ANZAM area would be reworked as the machinery for strategic planning by way of a permanent ANZAM chief of staff established in Australia. It was also agreed that responsibility for the defence of Malaya—the epicentre of British Commonwealth power

18 'Minutes of Meeting, 12 December 1952', NAA: A1209, 1957/4252.

19 "'Some thoughts on the ANZUS–ANZAM Item in London", Watt memorandum, [n.d. (1952)]', NAA: A1209, 1957/4252.

20 '7 September 1953', in Millar, *Australian Foreign Minister*, 103.

21 'Foster to Matthews, 29 May 1953, NARA: RG 59, 790.5/5-2953', cited in Kelly, *ANZUS and the Early Cold War*, 109; 'Doc. 86, Memorandum, Allison (Assistant Secretary of State for Far Eastern Affairs) to Dulles (Secretary of State), 29 January 1953', in Mabon, *FRUS 1952–54*, vol. XII.

in the region—should be transferred solely from Britain to the ANZAM chief of staff. Crucial to the protection of Malaya was the creation of the British Commonwealth Far East Strategic Reserve (FESR)—an idea first tabled at the 1953 Commonwealth Prime Ministers' Conference—which required the three nations to train and equip a joint military force for forward deployment in the event of unrest in Malaya.²² The FESR was not ready for deployment until 1955, and its implications for Australia's strategic relationship with Britain and the US will be returned to.

Crisis in South-East Asia

From late 1953, the threat of a global war gradually receded, only to be replaced with the increasing chance of limited war in South-East Asia. The ongoing power struggle in Indochina reached its peak in the early months of 1954, when the Viet Minh launched an offensive against the French garrison at Dien Bien Phu. Although reconciliation talks were planned to commence in Geneva in April, the US government was sceptical about whether these would deliver a settlement for long-term stability in South-East Asia. The nation accordingly sought to prepare for a military intervention. In early April, Secretary of State John Foster Dulles approached the Australian and New Zealand ambassadors in Washington, encouraging their respective governments to participate in the prospective united action. Dulles also hoped that, in addition to their contribution, the Pacific dominions could push Britain 'in the right direction'—that is, towards participation.²³

Spender was particularly buoyed by the United States' eagerness to finally commit forces to South-East Asia and encouraged his government to join the united action. This enthusiasm can be better understood in the context of fears about US isolationism. President Dwight D. Eisenhower's 'New Look' approach to foreign policy focused on closer working relationships within existing alliances like ANZUS and Spender was desperately looking for ways in which Australia could capitalise on this new approach and demonstrate its usefulness as an ally. Spender

22 'Defence Talks Melbourne 1953—Sir John Harding Chief of the Imperial General Staff/Australia and New Zealand', NAA: A1209, 1957/5023.

23 'Doc. 687, Memorandum of Conversation, 3 April 1951', in Neil H. Petersen (ed.), *Foreign Relations of the United States, 1952–1954, Indochina, Volume XIII, Part 1* (Washington, DC: US Government Printing Office, 1982) [hereinafter *FRUS 1952–54*, vol. XIII].

feared inactivity on the proposed united action would offend the US and threaten prospects for future interest in the defence of Australia's area of strategic concern.²⁴ Casey shared some of Spender's anxieties, penning in his diary that Washington would not 'go in alone' and a failure to respond may see them 'change their Southeast Asia attitude'.²⁵ Despite genuine concerns surrounding both the situation in Indochina and maintaining US interest in South-East Asia, the Australian government declined to join the united action. Andrew Kelly notes that the uncertain extent of military commitments and the recent Petrov affair, which had heightened concerns about the threat of domestic communism, contributed to this decision.²⁶ Above all, however, Australia was guided by allegiance to Britain. London was not willing to act before the Geneva conference and peaceful alternatives had been considered and Canberra would not act without London, with a Cabinet document describing such a move as 'a terrible innovation for Australia to promote, for it would be the first cleavage in Commonwealth unity'.²⁷

The Geneva conference opened on 26 April. While talks were under way, the Viet Minh achieved a decisive victory at Dien Bien Phu. The task now at hand was to settle on a diplomatic solution in Indochina. The conference closed on 21 July with the signing of the Geneva Accords, which stipulated a truce and a temporary partitioning of Indochina, with the French occupying the south and the Viet Minh the north. The US government refused to endorse the accords and, as far as it was concerned, this arrangement simply consolidated the communists' position in South-East Asia and provided a foothold from which to launch further attacks. In a pre-emptive effort to deter any further advances, the US government immediately began discussing options for a collective security pact in South-East Asia. Within six weeks of the delivery of the Geneva Accords, the members of the Five-Power Staff Agency and Pakistan, Thailand and the Philippines convened in Manila to sign SEATO.²⁸

24 Lowe, *Australia Between Empires*, 152–3. The New Look approach to US foreign policy is outlined in 'Doc. 101, Report to the NSC by Lay (Executive Secretary of NSC), 30 October 1953', in Lisle A. Rose and Neal H. Petersen (eds), *Foreign Relations of the United States, 1952–1954, National Security Affairs, Volume II, Part 1* (Washington, DC: US Government Printing Office, 1984) [hereinafter *FRUS 1952–54*, vol. II].

25 '7 April 1954', in Millar, *Australian Foreign Minister*, 124.

26 Kelly, *ANZUS and the Early Cold War*, 122–4.

27 'Menzies and Casey to Spender, 24 June 1954', in Secretary to Cabinet/Cabinet Secretariat: Menzies and Holt Ministries—Cabinet files 'C' single number series, 1949–85, NAA: A4940, C987.

28 Damien Fenton, *To Cage the Red Dragon: SEATO and the Defence of Southeast Asia* (Singapore: NUS Press, 2012), 25–8.

SEATO was promoted as a NATO-like organisation for South-East Asia, and the Australian government approached the proposed treaty with clear expectations that it should provide the military machinery necessary for the exchange of intelligence and provisions for reserve forces for deployment in the event of a regional conflict.²⁹ Much to Australia's disappointment, SEATO was fundamentally different to NATO. While SEATO agreed to respond to armed aggression in the treaty area as a common threat, it did not earmark forces for commitments in the treaty area. Article 5 of SEATO provided for a consultative council through which the members could meet and discuss 'matters concerning the implementation of this treaty', but this did not actually constitute the command structure desired by Australia. Furthermore, the US included a provision that it would only respond to communist aggression in the treaty area.³⁰ The constrained nature of SEATO was a pragmatic step to protect US freedom of action, ensuring the nation did not have to make specific military commitments in South-East Asia and that it could respond to threats on a case-by-case basis.³¹

In private discussions and in Manila, senior DEA and defence officials questioned the narrow anti-communist scope and the usefulness of a defence organisation that did not actually offer specific military commitments, appearing as more of 'a simple political organisation'.³² Despite these reservations, Australia lent its support to SEATO, conceding that it 'would not be prepared to press it with the Americans beyond a certain point'.³³ Menzies—no doubt mindful the opportunity may not present itself again—informed Parliament that Australia could not expect its 'great friends ... to accept commitments while our own attitude

29 "Proposed Establishment of SEATO—Report on Defence Aspects", Joint Planning Committee report on meetings held 16, 21, 23 and 26 July 1954' and "South-East Asian Collective Security Organisation", Discussion between McBride (Minister of Defence) and Casey, 19 August 1954', both in NAA: A816, 11/301/938.

30 'Southeast Asia Collective Defense Treaty (Manila Pact), September 8, 1954', in US Department of State, *American Foreign Policy, 1950–1955: Basic Documents. Volume 1* (Washington, DC: US Government Printing Office, 1957–58), 912–15.

31 Fenton, *To Cage the Red Dragon*, 26–7.

32 "South-East Asian Collective Security Organisation", 19 August 1954', NAA: A816, 11/301/938; "Drafting of SEATO—'Aggression' or 'Communist Aggression'?", DEA working paper, 24 August 1954', NAA: A1838, TS654, 8/14/4/1A. Casey voiced these reservations while in Manila. For details of this see '5 September 1954', '6 September 1954' and '7 September 1954', in Millar, *Australian Foreign Minister*, 178–83.

33 'Notes for Casey, SEATO Conference, 31 August 1954', NAA: A1838, TS654, 8/14/4/1A.

remains tentative or conditional'.³⁴ Ultimately, a limited security pact for South-East Asia that included the US and Britain was better than nothing at all.

Arguably the most important aspect of the creation of SEATO and the unfolding crisis in South-East Asia was the climate it created for British–US strategic cooperation. Lowe has argued that the lack of South-East Asian member nations underscores the true significance of SEATO. Rather than a symbol of regional cooperation, SEATO was ‘an opportunity to integrate and expand on Australia’s defence relationships with Britain and the United States’.³⁵ The earliest opportunity to pursue integrated US–British defence planning for South-East Asia came in the early months of 1955. Menzies was in London for the Commonwealth Prime Ministers’ Conference, where he, Churchill and Holland discussed the revision of ANZAM. Along with the creation of the FESR, the ANZAM chiefs had developed a plan (codenamed Hermes) for the defence of Malaya. Hermes rested on the assessment that the Kra Isthmus was the key line of defence. In the event of communist aggression and threat to the isthmus, all ANZAM resources would be mobilised towards preserving this line.³⁶ Menzies was willing to endorse Hermes with the qualification that all planning for the defence of Malaya received US endorsement. This qualification was largely a continuation of the original approach to US–ANZAM linkages discussed in December 1952, whereby it was believed that if the US saw the significance of ANZAM and the Commonwealth members were making serious contributions rather than simply expecting the US to bear the bulk of the cost, it would be willing to commit to joint planning and action.³⁷

Following the Prime Ministers’ Conference, Menzies continued on to Washington, bringing with him a draft of a statement guaranteeing ‘effective cooperation’ in the event of the ANZAM powers deploying ‘substantial forces for the defence of Malaya’.³⁸ The US government was not willing to approve such a strongly worded document and instead provided a statement that the US ‘considers the defence of Southeast Asia,

34 CPD: *Representatives*, 5 August 1954, No. 31, 67.

35 Lowe, *Menzies and the ‘Great World Struggle’*, 175.

36 ‘Operation “HERMES”’, NAA: A1209, 1957/4250.

37 Edwards and Pemberton, *Crises and Commitments*, 162–8.

38 ‘Doc. 35, Menzies to Dulles, 16 March 1955’, in Edward C. Keefer and David W. Mabon (eds), *Foreign Relations of the United States, 1955–1957, Vietnam, Volume I* (Washington, DC: US Government Printer, 1985) [hereinafter FRUS 1955–57, vol. I].

of which Malaya is an integral part, to be of very great importance' and 'effective cooperation' was implied in SEATO.³⁹ Menzies misunderstood the US statement, believing it to be a commitment to joint ANZAM–US action in the defence of Malaya. It was based on this misunderstanding that he triumphantly announced his government's decision to station Australian troops in Malaya as part of the FESR.⁴⁰

The US government quickly clarified Menzies' misunderstanding. Radford, now serving as the Chairman of the USJCS, informed Canberra the US had in no way committed to joint ANZAM–US planning. US defence planning was directed towards deterring aggression and defending the whole of South-East Asia. The defence of Malaya could only be viewed in this context.⁴¹ Casey was sent to plead Australia's case in Washington, where he, too, was informed the US would not prioritise the defence of Malaya—an approach Radford described as 'last-ditch' defeatism predicated on the loss of the rest of South-East Asia. In the wake of these revelations, Australian strategic planning was, by Casey's reckoning, 'left ... in the air'.⁴²

The State Department offered some suggestions about how to proceed. It believed the best way to defend Malaya from external communist threats was containment. Australia should now direct its energies towards SEATO and the broader regional fight against communism.⁴³ A similar proposal had also been floated in the Defence Committee with the view that the defence of Malaya should now be 'relegated to the category of a reserve objective' within a broader strategy of defending the whole of South-East Asia.⁴⁴ Realising the fundamental challenge of convincing the US to protect British possessions and the value of the United States' broad commitment to South-East Asian security as opposed to Britain's limited commitment to protecting Malaya, the Australian government took on

39 'Doc. 36, Memorandum of a Conversation by State Department, 18 March 1955' and 'Doc. 37, Dulles to Menzies, 18 March 1955', both in Keefer and Mabon, *FRUS 1955–57*, vol. I.

40 David Lee, 'Australia and Allied Strategy in the Far-East, 1952–1957', *Journal of Strategic Studies* 16 (1993): 511–38, at pp. 525–6.

41 'Doc. 65, Radford to Spender, 28 July 1955', in Keefer and Mabon, *FRUS 1955–57*, vol. I; "'Review of ANZAM Planning by US Joint Chiefs of Staff", Defence Committee Report, 30 August 1955', NAA: A1290, 1957/4857.

42 '12 September 1955' and '13 September 1955', in Millar, *Australian Foreign Minister*, 214–16.

43 'Doc. 71, US Minutes of the ANZUS Council Meeting, 24 September 1955', in Keefer and Mabon, *FRUS 1955–57*, vol. I; '24 September 1955', in Millar, *Australian Foreign Minister*, 217–19.

44 'McKnight to Brown, 30 August 1955', NAA: A1290, 1957/4857; 'Defence Committee Meeting, [n.d. (on or before 30 August 1955)]', NAA: A1290, 1957/4857.

these recommendations. Australia abandoned the Hermes plan, much to Britain's annoyance, and the FESR in Malaya was recast as a contribution to SEATO as a reserve force for the whole of South-East Asia.⁴⁵

Japan and the economic aspects of SEATO

The threat of communist insurgency in South-East Asia also shaped Australia's diplomatic outlook, forcing the nation to reconsider its policy towards Japan and the United States' regional strategy. In the containment of communism, the US saw the 'denial' of Japan to the Soviets and maintenance of Japanese goodwill towards the West as crucial. This was codified in NSC 48/2.⁴⁶ The US accordingly campaigned for a non-punitive peace treaty that signalled Japan's legitimacy as a reformed nation ready to return to the international community. Such a treaty would allow economic revival and remilitarisation in the future. In spite of ANZUS, the Australian government and public remained reluctant to embrace the former enemy, with racialised hostility and lingering misgivings about allowing Japan's economy to again reach a war potential.⁴⁷

Under the leadership of Casey and his departmental secretary Alan Watt, the DEA continued to prioritise increasing Australia's representation in its region of strategic interest. Casey's first overseas trip as minister was to South-East and East Asia. Following this trip, new diplomatic postings were made in the newly independent nations in the region.⁴⁸ Casey was an ardent anti-communist and he saw the protection of the region from communist subversion as a central feature of regional engagement.⁴⁹ The Colombo Plan, accordingly, remained a significant tool and membership

45 Lee, 'Australia and Allied Strategy in the Far-East', 528–9.

46 'Doc. 145, Note by Souers (Executive Secretary NSC) to the NSC, 4 October 1949', in Reid and Glennon, *FRUS 1949*.

47 David Walton, *Australia, Japan and Southeast Asia: Early Post-War Initiatives in Regional Diplomacy* (New York: Nova Publishers, 2012), 27–9, 32–3.

48 Richard Casey, *Friends and Neighbours: Australia and the World* (Melbourne: Cheshire, 1954), 26; '19 August 1951', in Millar, *Australian Foreign Minister*, 37–40; "Report on visit to South-East Asia and East Asia by Minister for External Affairs", 21 September 1951, NAA: A1838, 532/6/2.

49 Christopher Waters, 'Casey: Four Decades in the Making of Australian Foreign Policy', *Australian Journal of Politics and History* 51, no. 3 (2005): 380–8, at pp. 384–6; James Cotton, 'R.G. Casey and Australian International Thought: Empire, Nation, Community', *The International History Review* 33, no. 1 (2011): 95–113, at pp. 103–6.

was expanded throughout the early 1950s.⁵⁰ With new members being added and Japan's foreign economic policy directed towards rebuilding regional relationships through economic diplomacy, the Japanese government hoped to participate in the Colombo Plan. In the lead-up to the 1952 meeting of the Colombo Plan Consultative Committee, Britain raised the possibility of Japanese observer status. The following year, the Japanese government formally applied for membership. Both proposals were rejected following Australia's firm opposition.⁵¹ In March 1954, with talk of Japan again seeking membership, Australia maintained its view that this would be 'premature'.⁵² Meanwhile, Australia continued to restrict Japan's access to its markets, despite the nation being its second-largest export market. Japan was left to face a host of import restrictions, leading to a two-way trade relationship at a ratio of 18:1.⁵³ Along with straining its diplomatic and economic relationships with Japan, the Australian government's position countered NSC 13/2 and NSC 48/2. It denied Japan opportunities for economic growth and regional integration, so hindering its ability to become the bulwark against communism in the Asia-Pacific.

Given Australia's unwillingness to embrace Japan, it is somewhat surprising that, in October 1954, it sponsored the nation's entrance into the Colombo Plan as a donor nation.⁵⁴ Australia's softening attitude towards Japan is best understood in the context of the 1954 crisis in South-East Asia and the increasing threat posed by communist China. Both the US and Britain were acutely aware of the importance of maintaining friendly relations with Japan and developing the Japanese economy as an alternative to China. Throughout June–July 1954, both the US and Britain—the latter having recently adopted a new policy towards Japan that aimed to 'prevent economic distress which would foster communism by maintaining as high a level of trade between Japan and the sterling

50 New regional members were Laos (1951), Nepal and Burma (Myanmar) (1952), Indonesia (1953) and Thailand, Japan and the Philippines (1954).

51 Ai Kobayashi, 'Australia and Japan's Admission to the Colombo Plan', *Australian Journal of Politics and History* 60, no. 4 (2014): 518–33, at pp. 522–5; 'Australian High Commissioner's Office Karachi to DEA, 10 March 1952', NAA: A1838, 2080/13; "Japan May Join Colombo Plan", *The Age*, [Melbourne], 6 October 1953', cutting, in NAA: A1838, 2080/13.

52 'Walker to Watt, 17 March 1954', NAA: A1838, 2080/13.

53 Peter Golding, *Black Jack McEwen: Political Gladiator* (Melbourne: Melbourne University Press, 1996), 173–5; *Official Year Book of the Commonwealth of Australia*, No. 42 (Canberra: Commonwealth Government Printer, 1956), 301. Figure for 1952–53.

54 "Australia Got Japan Into Colombo Plan", *The Herald*, [Melbourne], 6 October 1954', cutting, in NAA: A1838, 3103/9/3/3.

area’—petitioned Australia to improve bilateral relations and do more to ‘bring Japan into the community of nations’.⁵⁵ This pressure triggered a DEA submission to Cabinet reviewing Australian–Japanese relations, submitted by Casey on 28 July.

Casey’s submission stressed that, with Japan’s liberal democracy in its infancy and the nation’s economy still rebuilding, the potential remained for economic and political crisis and, in turn, an environment that would encourage communist subversion. This situation would only worsen if Japan continued to face a hostile neighbourhood with limited opportunities for economic growth. Australia’s policy towards Japan had to be designed to prevent a close relationship between it and China. This could be best achieved by providing Japan with the opportunities necessary for ‘meeting her economic difficulties by expanding her export trade, and for developing her political and economic life and institutions in a way that will strengthen Japan’s association with the West’.⁵⁶ On 17 August, the prime minister and Cabinet ‘reluctantly’ agreed that Australia would ‘adopt a more liberal policy towards Japan’. Cabinet also agreed that supporting the nation’s membership of the Colombo Plan would be the most effective first step towards implementing this new policy; Casey described Japan’s interest in the plan as a ‘rather heaven-sent opportunity’.⁵⁷

Strategic planning and the little-known economic aspects of SEATO also played a role in Australia’s decision to support Japan’s accession to the Colombo Plan. As the Australian government reviewed its policy towards Japan, SEATO was being finalised. The US had initially hoped Japan would be a member—an idea that was soon set aside due to the nation’s lack of armed strength necessary to contribute to South-East Asian defence.⁵⁸ This was not the end of US hopes for Japan’s association with SEATO.

55 “Policy towards Japan”, Cabinet Paper, TNA: FO 371/110413’, cited in C.W. Braddick, ‘Britain, the Commonwealth, and the Post-War Japanese Revival, 1945–70’, *The Round Table* 99, no. 409 (2010): 371–89, at p. 374; “Australia’s Relations with Japan”, Memorandum for Watt, 15 July 1954’, NAA: A1838, 3103/10/1 Part 2; ‘Australian Embassy in Washington to DEA, 12 August 1954’, NAA: A1838, 2080/13.

56 “Australian Policy towards Japan”, Cabinet Submission by Casey, 28 July 1954’, NAA: A1838, 2080/13.

57 ‘Doc. 66, Meeting Prime Minister’s Committee of Cabinet, 17 August 1954’, in Department of Foreign Affairs and Trade, *Documents on Australian Foreign Policy. Volume 19: The Australia Japan Agreement on Commerce, 1950–59* (Canberra: DFAT, 1997) [emphasis in original]; ‘Casey to Tange, 16 August 1954’, NAA: A1838, 2080/13.

58 ‘Doc. 267, Minutes of Meeting on Southeast Asia, 24 July 1954’ and ‘Doc. 288, New Zealand Embassy to Department of State, 5 August 1954’, both in Mabon, *FRUS 1952–54*, vol. XII.

The State Department developed plans for the inclusion of an economic provision in SEATO for the purpose of a united economic strategy to counter communism. Plans were secretly made to link Colombo with this economic provision.⁵⁹ In an August meeting between Dulles and Harold Stassen, Director of the US Foreign Operations Administration, it was agreed that, if a Colombo–SEATO link was ‘adopted as the basis of operations’, it would be ‘essential that Japan should be brought in to the Colombo Plan’.⁶⁰ The importance of Japan in this relates back to US plans to support the nation’s regional economic integration. Japan’s initial donor contributions to the Colombo Plan were modest, at only US\$40,000.⁶¹ Nevertheless, association was symbolically important in the rehabilitation of its regional image—a symbolism the State Department openly acknowledged, with one official noting ‘political reason was as important as economic’.⁶² The SEATO–Colombo Plan linkage was also strategically significant to the US as it fortified US diplomatic, military and economic influence in South-East Asia.

Australia’s support for Japan’s membership of the Colombo Plan and the economic aspects of SEATO was guided by anxiety about the United States’ commitment to the defence of South-East Asia and the need to demonstrate its reliability as an ally. Australia was aware of plans to institute a SEATO–Colombo Plan linkage, and a planning brief for the Manila conference reveals the nation was ‘chary’ about the proposal.⁶³ Despite this, Australia went on to support Article 3 of SEATO, which made a general commitment to economic and technical assistance and cooperation. This cooperation took the form of SEATO aid being injected into the Colombo Plan by way of strategically prioritising the organisation’s projects.⁶⁴ That Australia was mindful of relations with the US—perhaps even responding to US pressure, as David Walton has suggested—is evidenced in the DEA’s Cabinet submission supporting Japan’s admission to the Colombo Plan. The submission noted that if Australia continued to oppose Japanese membership it may face ‘isolation

59 ‘Doc. 267, Minutes of Meeting on Southeast Asia, 24 July 1954’, in Mabon, *FRUS 1952–54*, vol. XII; ‘Australian Embassy in Washington to DEA, 23 August 1954’, NAA: A1838, 3103/9/3/8.

60 ‘Doc. 321, Memorandum of Conversation by Dulles, 24 August 1954’, in Mabon, *FRUS 1952–54*, vol. XII.

61 Oakman, *Facing Asia*, 110.

62 ‘Australian Embassy in Washington to DEA, 12 August 1954’, NAA: A1838, 2080/13.

63 ‘“SEATO and Economic Aid to South East Asia”, 25 August 1954’, NAA: A1209, 1957/5846.

64 ‘Doc. 339, Memorandum of Conversation by Baldwin (Acting Deputy Assistant Secretary of State for Far Eastern Affairs), 1 September 1954’, in Mabon, *FRUS 1952–54*, vol. XII.

among the Western donor countries'.⁶⁵ These Western members were Britain, New Zealand and the US—with all of which Australia had some form of regional security arrangement.

The Menzies government's shifting policy towards Japan in 1954 contributed in part to the 1957 Australia–Japan Agreement on Commerce, which heralded Australia's rapid integration into its regional markets. This marked a critical point in Australia's move towards alignment with the US, with the nation finally accepting, if not yet embracing, US plans to develop Japan as a regional economic hub and see it reintegrated into the Asia-Pacific community.

The retreat from the British orbit

By the end of 1955, there were clear indicators that US-led strategic planning, rather than an integrated US–British system, offered Australia the greatest assurance for regional security. These strategic imperatives did not exist in a vacuum and revelations in 1956–57 of the true extent of Britain's military and economic capabilities expedited Australia's realignment from the British orbit to that of the US. In these years, the Australian government was forced to frankly assess Britain's capabilities and the value of the Commonwealth connection, finding they no longer met the nation's economic or defensive needs. These two pillars of the Commonwealth connection were quickly crumbling.

The Menzies government took office with a preference for a multilateral world trading system and the promise that it would do away with practices that protected the Sterling Area and British economic interests at the expense of Australia's national development. This led the government to abolish petrol rationing and approach the US for an individual loan of US\$100 million within seven months of coming into power—steps that put pressure on the Sterling Area dollar reserves and, in turn, endangered Britain's vulnerable economy.⁶⁶ Throughout the early 1950s, Britain continued to struggle with its dollar trade and overall balance of payments,

65 Walton, *Australia, Japan and Southeast Asia*, 31; "Japan and the Colombo Plan", Cabinet Submission by DEA, 27 August 1954, NAA: A4940, C1009.

66 Frank Bongiorno, 'The Price of Nostalgia: Menzies, the "Liberal" Tradition and Australian Foreign Policy', *Australian Journal of Politics and History* 51, no. 3 (2005): 400–17, at p. 412; David Lee, 'Australia, the British Commonwealth, and the United States, 1950–1953', *The Journal of Imperial and Commonwealth History* 20, no. 3 (1992): 445–69, at pp. 449–53.

leaving the nation to once again call on the members of the Sterling Area to introduce import restrictions in an attempt to maintain the Sterling Area reserves. While Australia did introduce import restrictions, there were general cuts to all sectors and from all sources, including the Sterling Area. Australia's finance and trade policymakers maintained that the Sterling Area as it existed was unsustainable and the import restrictions needed to stabilise its reserves were anathema to a multilateral world trading system. Australia unsuccessfully promoted the resumption of sterling-dollar convertibility and integration into the multilateral system.⁶⁷

Australia's frustration with the discriminatory practices that sustained the British economy and the Sterling Area was heightened by problems in Australian-British bilateral trade. Since the end of World War II, Australian policymaking had been mobilised towards national development. The nation's primary and secondary industries steadily expanded, as did the markets to which goods were being sold.⁶⁸ With this rapid growth came the need for a larger population—to both service and purchase from the Australian economy. Encouraged by assisted passages and displaced persons programs, the annual population growth rate reached a postwar peak of 3.3 per cent per annum in 1950, compared with just 1 per cent at the outbreak of the war.⁶⁹ The national development program necessitated a high volume of imports but, despite expanding market opportunities, Australia was left with a balance-of-payments problem that threatened to trigger a recession.⁷⁰

Britain, Australia's largest trading partner, was a significant contributor to the nation's balance-of-payments problem. British imports were expanding much faster than the exports Australia sold in return. By 1954–55, the disparity in two-way trade was upwards of £90 million annually.⁷¹ There had always been periods of imbalance in the Australian-British trade relationship; by the mid-1950s, however, it was clear that this was a long-term trend. The British market for Australian goods was

67 Lee, 'Australia and the British Commonwealth', 455–9, 462.

68 'Speech by McEwen to House of Representatives, 28 February 1956', NAA: A5954, 64/1.

69 Australian Bureau of Statistics, 'Historical Population 2016', Cat. No. 3105.0.65.001 (Canberra: ABS), available from: www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/3105.0.65.001Main+Features12016?OpenDocument.

70 David Lee, 'Sir John Crawford: Agriculture and Trade', in *The Seven Dwarfs and the Age of the Mandarins: Australian Government Administration in the Post-War Reconstruction Era*, ed. Samuel Furphy (Canberra: ANU Press, 2015), 174.

71 *Official Year Book of the Commonwealth of Australia*, No. 41 (Canberra: Commonwealth Government Printer, 1955), 291.

shrinking. The ‘disappointingly negative’ state of Australian–British trade relations could largely be attributed to an unequal preference system.⁷² In line with the 1932 Ottawa Agreements, Britain and Australia extended certain concessions to one another; however, these were not shared evenly. While 86 per cent of British exports received preference in Australia, only 43 per cent of Australian exports received preference in return. Britain also enjoyed a higher average margin of preference: 14 per cent compared with the 9 per cent afforded to Australia. The British government granted generous subsidies to domestic producers in an attempt to stimulate domestic and international sales. Agricultural producers were the principal benefactors of these subsidies and Australia, with agriculture among its largest exports, was left further disadvantaged in the British market.⁷³

Politicians, economists and exporters alike called for a review of trade relations with Britain.⁷⁴ Preoccupation with the implementation of the General Agreement on Tariffs and Trade and the fact that responsibility for trade, tariffs and industry was spread across three different departments meant that little came from these appeals.⁷⁵ In January 1956, however, the Menzies ministry underwent a major restructure, including the creation of the Department of Trade. John McEwen and John Crawford, both previously of the Department of Commerce and Agriculture, were appointed minister and secretary, respectively. The two men immediately set out to address the imbalance in the Australian–British trading relationship with a proposal to renegotiate the Ottawa Agreements. Cabinet approved the renegotiation of the Ottawa Agreements on 10 May 1956 and, on 9 November, after several weeks of hard-fought bargaining, the new agreement was finalised.⁷⁶

McEwen was careful to stress the revision of the Ottawa Agreements was not an attack on Britain or the imperial preference system. Rather, he believed the Australian–British trading relationship was a ‘natural one’ that had become unbalanced as a result of the immense changes in the

72 Crawford, *Australian Trade Policy*, 352.

73 Stuart Ward, *Australia and the British Embrace: The Demise of the Imperial Ideal* (Melbourne: Melbourne University Press, 1998), 34–5, 42; *Official Year Book of the Commonwealth of Australia*, No. 41 (1955), 217–19; ‘“Ottawa Agreement”, Cabinet Submission by McEwen, 16 April 1956’, in Department of Commerce and Agriculture: Miscellaneous items including alphabetical electorate, general filing, and personal items, 1915–82, NAA: M58, 219 Part 2.

74 Crawford, *Australian Trade Policy*, 321–6, 330–1, 334–6.

75 These three departments were the Department of Trade and Customs, the Department of Commerce and Agriculture and the Department of National Development.

76 Golding, *Black Jack McEwen*, 175–7.

international economic situation and in the individual economies of Australia and Britain in years since the Ottawa Agreements had originally been negotiated. The reappraisal of the agreements would ostensibly return equilibrium to the relationship.⁷⁷ Some are convinced by this argument. Stuart Ward, for instance, writes that the renewal of the Ottawa Agreements

did not, in any fundamental sense, provoke a wider examination of the steadily widening gap between British commercial interests and Australian national aspirations ... Nor is there any evidence that the Ottawa renegotiation stimulated any ... reflection about the declining relevance of the old imperial ties.

He goes on to note the importance of British race patriotism to the Australian psyche well into the 1960s as evidence of this.⁷⁸ While it is true the revision of the Ottawa Agreements did not mark the end of Australian–British economic ties, it was an acknowledgement by Australia that it was no longer satisfied with the economic benefits offered in the imperial connection.

Much as he tried to soften it, McEwen could not hide the fact that Britain was a shrinking market for Australian goods. It will be recalled that F.H. Stewart had warned of this development as early as 1935 and H.C. Coombs echoed his concerns in 1947. Australia could not maintain its national development program with a continuing and widening payments imbalance. Parenthetically, as McEwen observed in a February statement to the House of Representatives, if imports were restricted as a cost-saving measure, employment and industrialisation would stagnate, exports would decline—particularly as foreign markets would likely respond to Australia’s import restrictions with their own such restrictions—and the standard of living would decline.⁷⁹

Australia’s balance-of-payments problem was not simply a matter of improving the nation’s standard of living, it was also linked to national defence. Although he was the Minister for Trade, McEwen took a great deal of interest in defence developments. He believed Australia needed

77 ‘Cabinet Submission by McEwen, 16 April 1956’ and ‘“Proposals concerning the United Kingdom and Australia Trade Agreement”, Cabinet Submission by McEwen, 7 May 1956’, both in NAA: M58, 219 Part 2; John McEwen and Robert V. Jackson, *John McEwen: His Story* (Canberra: Printed privately, 1983), 49–51.

78 Ward, *Australia and the British Embrace*, 36–8.

79 ‘Speech by McEwen to House of Representatives, 28 February 1956’, NAA: A5954, 64/1.

a robust economy with employment opportunities to entice migrants who, in turn, would service Australia's emerging defence goods industry and could be called on to defend the nation in the event of another war.⁸⁰ Frederick Shedden, the influential Secretary of Defence, shared this view, writing in a private letter to McEwen that

immigration is a long-term defence measure ... our Immigration Policy makes considerable demands for imports of both capital and consumption goods, but to keep this going we must export more to balance overseas expenditure with export earnings. A further aid would be greater investment from overseas in Australia.⁸¹

Shedden had been privately contacting official and business acquaintances in Britain, sending them copies of McEwen's statements regarding Australia's trade problem in the hope that he could impress on them the important link between Australian trade, immigration and defence.⁸² Facing a difficult situation, the Menzies government could not afford to ignore any opportunity for export development.

As McEwen detailed in a number of Cabinet submissions concerning the Ottawa problem, there were considerable opportunities in a number of foreign markets. To capitalise on these opportunities, it was necessary for Australia to offer 'both good customer and good supplier countries a fairer share of our expanding market', with McEwen noting that some countries had already begun pressuring Australia to improve its imports. However, the ambit of preferences Australia was required to grant under the existing Ottawa system left the nation with little scope to offer other countries greater access to its markets.⁸³ Accordingly, among the main provisions secured in the new Ottawa Agreement was the reduction of the preference margin afforded to British exports, from between 12.5 and 17.5 per cent to 7–10 per cent.⁸⁴ This provision preserved the traditional imperial preference system while reducing margins enough to allow Australia greater freedom to negotiate a better position in multilateral and

80 Lee, *Search for Security*, 155; Golding, *Black Jack McEwen*, 166–7; Crawford, *Australian Trade Policy*, 353.

81 'Personal, Shedden to McEwen, 9 March 1956' and 'Personal, Shedden to McEwen, 26 April 1956', both in NAA: A5954, 64/1.

82 'Personal, Shedden to McEwen, 9 March 1956', NAA: A5954, 64/1.

83 'Cabinet Submission by McEwen, 16 April 1956' and 'Cabinet Submission by McEwen, 7 May 1956', both in NAA: M58, 219 Part 2.

84 Golding, *Black Jack McEwen*, 175–8; Crawford, *Australian Trade Policy*, 19–25.

bilateral trade relationships. In this, there was a recognition that the days of the closed and economically integrated Commonwealth were coming to an end.

McEwen acknowledged the broader implications of the reappraisal of the Ottawa Agreements. In a May Cabinet submission, he observed: 'I am not unmindful of the fact that our trading relationship with the United Kingdom is so great that any substantial proposals on it can impinge on wider issues of high policy.'⁸⁵ The British government, too, appreciated the divergence of Australian and British economic interests that had been brought to light by the renewal of the Ottawa system. Harold Macmillan, Chancellor of the Exchequer, concluded:

Australia's changed attitude to the preference system reflected the fact the United Kingdom was no longer able to fulfil her traditional role of providing the capital needed for the industrial development of the Commonwealth ... It would now be necessary ... to re-examine, in light of the Australian attitude, the relative importance and future prospects of our trade with Australia and the Commonwealth, and with Europe and other overseas markets.⁸⁶

Imperial sentiment could no longer outweigh national development needs. Crawford, who was involved in the renegotiation process, later stated as much: 'Britain was a declining rather than a growing market', necessitating 'a retreat from the political concept of an integrated Empire'.⁸⁷

Turning points: Malayan independence, the Suez Crisis and equipping the Australian defence forces

As Australia acknowledged the limitations of the British market, so, too, did the limitations of Britain's global power become apparent. The year 1956 opened with the British government's announcement that Malaya would be granted independence, with 31 August 1957 the target date for elections and the handing over of control. With the recent decision

85 'Cabinet Submission by McEwen, 7 May 1956', NAA: M58, 219 Part 2.

86 'Cabinet Minute, 12 July 1956', in Records of the Cabinet Office, Cabinet: Minutes (CM and CC Series), TNA: CAB 128/30/49.

87 Crawford, *Australian Trade Policy*, 319–20.

to recast the FESR as part of a broader contribution to SEATO and the defence of the whole of South-East Asia, the Australian government was most concerned by the possibility that it would be unable to maintain these forces in Malaya following independence.⁸⁸ These concerns triggered British–Malayan defence discussions and the eventual signing of the Anglo-Malayan Defence Agreement (AMDA, signed in October 1957). Britain reserved the right to maintain forces in Malaya after independence and to use and reinforce these forces to counter regional threats, subject to consultation with and the approval of the Malayan government. The FESR, including Australian and New Zealand commitments, was explicitly named in AMDA among the forces permitted to be maintained in Malaya.⁸⁹ There remained the symbolic implication of Britain ceding control to one of its few remaining footholds in the Pacific, giving way to suspicions in Australian government circles that Malayan independence marked Britain’s retreat from the region.⁹⁰

The year closed with the Suez Crisis. On 26 July 1956, Egyptian President Gamal Abdel Nasser announced the nationalisation of the Suez Canal and the immediate seizure of control from the Suez Canal Company. Egyptian forces occupied the canal, the Suez Canal Company’s assets were frozen and the canal was closed to some foreign shipping. With private French and British nationals making up most company shareholders, it was in the two nations’ interest to maintain private ownership and unrestricted access to the canal. The two governments approached Israel, which had been denied access to the waterway, and conspired with it to regain control of the canal. When Israel invaded Egypt in October, France and Britain responded with a military intervention, which was framed as a mediation force between the two combatants. Australia supported the military intervention in Egypt—a move one historian describes as ‘blind

88 Edwards and Pemberton, *Crises and Commitments*, 188–92; ‘Cabinet Minute, 16 January 1956’, NAA: A4940, C1473 Part 1.

89 “‘The Future of the Commonwealth Strategic Reserve in relation to the Malayan Defence Agreement’, Cabinet Submission by Casey and Beale (Acting Minister for Defence), [n.d. (June 1957)]’ and “‘A Defence Appreciation on the Future of the Commonwealth Strategic Reserve in relation to the Malayan Defence Agreement’, Department of Defence, [n.d. (June 1957)]’, both in NAA: A4940, C1473 Part 1.

90 Wayne Reynolds, ‘Menziez and the Proposal for Nuclear Weapons’, in *Menziez in War and Peace*, ed. Frank Cain (Sydney: Allen & Unwin, 1997), 124–5; Lee, ‘Australia and Allied Strategy in the Far-East’, 530.

loyalty' to Britain—but it was one of only a handful of countries, with the UN Security Council deeming the action unwarranted and demanding the withdrawal of forces.⁹¹

The Suez Crisis not only damaged Britain's international prestige, but also revealed the nation's economic vulnerability. Britain relied on the canal for access to oil, and the high cost of oil elsewhere and stockholder speculation triggered a plummet in Sterling Area foreign currency reserves.⁹² The British government sought financial assistance from the International Monetary Fund (IMF) to fortify the sterling. The US government—the largest single donor to the fund—feared Soviet intervention if the situation in Egypt continued and informed Britain that it would categorically block any attempts to seek assistance from the IMF for the purpose of maintaining forces in Egypt.⁹³ Facing a financial crisis and entirely reliant on the support of the US to continue its Suez operations, Britain was forced to withdraw from Egypt.

From the outset, Casey had misgivings about Britain's response to the Suez situation, which he freely shared with Menzies.⁹⁴ Along with correctly predicting the international backlash Britain would face if it resorted to the use of force, Casey appreciated the inference of British vulnerability if an apparently great power had to 'use force on a small Afro-Asian nation to deal with a political problem'. He continued:

The use of force in the Suez issue would be 'life or death' to Britain—and more likely death than life, by reason of the overwhelming volume of world opinion against her that the use of force would generate, which would greatly diminish her influence in world affairs.⁹⁵

91 W.J. Hudson, *Blind Loyalty: Australia and the Suez Crisis, 1956* (Melbourne: Melbourne University Press, 1989).

92 James Boughton, *Northwest of Suez: The 1956 crisis and the IMF*, IMF Working Papers 2000/192 (Washington, DC: International Monetary Fund, 2000): 3–5, 11–14.

93 'Caccia (British Ambassador to the US) to Foreign Office, 27 November 1956, TNA: T236/4190', cited in *ibid.*, 20; 'Doc. 500, Memorandum of Conversation with Eisenhower, 5 November 1956' and 'Doc. 583, US Embassy in London to State Department, 17 November 1956', both in Nina J. Noring (ed.), *Foreign Relations of the United States, 1955–1957, Suez Crisis, July 26–December 31, 1956, Volume XVI* (Washington, DC: US Government Printing Office, 1990) [hereinafter *FRUS 1955–57*, vol. XVI].

94 '24 September 1956', in Carl Bridge (ed.), *A Delicate Mission: The Washington Diaries of R.G. Casey, 1940–1942* (Canberra: National Library of Australia, 2008), 245–6.

95 '7 September 1956', in *ibid.*, 243–4 [emphasis in original].

Casey clearly grasped Britain's economic and defensive vulnerability and how the situation in Egypt would bring this into focus for an international audience.

Amid Malayan independence and the Suez Crisis, Australia's defence policy underwent a major review. In June 1956, Menzies travelled to London for the Commonwealth Prime Ministers' Conference. There he learnt that Britain's future defence policy in the event of a global war would include the use of thermonuclear weapons—previously treated as weapons of last recourse. Global war, however, was far less likely than a limited war in South-East Asia. It remained unclear what level of support Britain would offer in a limited war.⁹⁶ Britain's decision to focus on developing its massive force capabilities led to the 1957 Duncan Sandys defence white paper and the decision to reduce conventional forces in the Asia-Pacific region—seemingly confirming Australia's fears that Britain was retreating from the region.⁹⁷

On his trip home, Menzies visited Washington, where he pressed Eisenhower for details of the US policy for the use of nuclear weapons and other new strategic defence technologies in the event of a limited war in South-East Asia. New technologies like intercontinental missiles would be essential in maintaining Australia's strategic isolation; however, as Menzies informed Eisenhower, a small country like Australia would be 'unable to afford these new weapons and would probably have to get along with conventional weapons'. Eisenhower assured Menzies that Australian military forces well-armed with conventional weapons would be adequate, believing 'the real deterrent in the eyes of the common man is not the number of atomic bombs which might be stored in some unknown place ... but rather the man in uniform who can be seen'.⁹⁸ With both Britain and the US committed to nuclear deterrence and the expectation

96 'Minutes First Meeting of Commonwealth Prime Ministers, 27 June 1956', NAA: A1838, 899/6/3/1. The Commonwealth Prime Ministers' Conference was not the first news of Britain's move towards nuclear-based defence; it had received some attention at the 1955 Commonwealth Prime Ministers' Conference. See 'Meeting of Commonwealth Prime Ministers, January–February 1955, Minutes of Meetings and Memoranda', NAA: A5954, 1562/12.

97 Andrea Benvenuti, 'Australian Reactions to Britain's Declining Presence in Southeast Asia, 1955–63', *The Journal of Imperial and Commonwealth History* 34, no. 3 (2006): 407–29, at pp. 412–13; "'Statement on Defence", Cabinet Submission by Sandys (Minister for Defence), 1 April 1957', in Records of the Cabinet Office, Cabinet: Memoranda (CP and C Series), TNA: CAB 129/86.

98 'Doc. 112, Memorandum of Conversation, 3 August 1956', in Keefer and Mabon, *FRUS 1955–57*, vol. I.

that Australia would make a meaningful contribution to the defence of South-East Asia, there was a clear need for the nation to reconsider its strategic position.

The revelations in London and Washington triggered a Defence Committee review of Australian defence policy in October 1956, with Cabinet approving its recommendations the following February. The 1957 Defence Review was a careful assessment of Australia's capabilities and the relationships and strategies that would best serve the nation's interests in the event of a limited war in South-East Asia. The review argued that, as a small and isolated nation, Australia was 'dependent on the Western Powers, in particular the United States, for her ultimate security'. To achieve this security, Australia had to 'relate' its defence planning to the 'global strategy of the Western Powers' and seek to make a meaningful contribution to the implementation of this strategy. This approach would both contribute to the defence of the Western bloc and 'strengthen her case for the support of her allies' should a direct threat to Australian security present itself. The review identified participation in regional collective security arrangements as 'the best means' available to integrate Australian defence planning into the strategy of the Western powers. SEATO was 'the most important' of the regional arrangements and 'the most practicable organisation in which Australian strategic plans can be coordinated with those of the US'.⁹⁹

The Eisenhower administration's New Look policy towards foreign and defence issues shaped the United States' approach to SEATO. The New Look policy reduced US defence costs by expanding the nation's nuclear deterrent and reducing the size of its conventional armed forces. At the same time, the US encouraged its allies to build up their own conventional forces for local security, allowing the US to provide massive retaliation rather than expensive and inflexible long-term commitments. The core tenets of the New Look policy were promoted by the US in the formation of the strategic concepts for the defence of the SEATO area.¹⁰⁰ Broadly outlined, the SEATO strategic concepts planned for an immediate response to a communist threat—likely isolated guerilla

99 "The Strategic Basis of Australian Defence Policy", Defence Committee report, [n.d. (October 1956)], in Department of Defence: Correspondence files, multiple number series [Class 501] [501–539] [Classified] [Main correspondence files series of the agency], 1936–60, NAA: A1196, 15/501/378.

100 Fenton, *To Cage the Red Dragon*, 96–101, 112–13; 'Doc. 101, Report to the NSC, 30 October 1953', in Rose and Petersen, *FRUS 1952–54*, vol. II.

activities. This initial phase would be followed up by ‘supporting actions’ to protect the lines of communication and contribute to counteroffensives when necessary. The nature of this warfare—liable to erupt anywhere and with little or no warning—and the size of the treaty area necessitated that SEATO members maintain highly mobile and flexible forces.¹⁰¹

On 4 April 1957, Menzies presented the 1957 Defence Review to the House of Representatives and announced his government’s decision to adopt its recommendations. In preparing for a limited war, the review recommended a move away from the traditional organisation and deployment of large ‘ineffective’ divisions of multipurpose forces that had received general training. Instead, it was recommended that Australia focus its efforts on the creation of ‘hard-hitting, flexible, mobile and readily available forces’.¹⁰² In his 4 April address, Menzies called into question his government’s own policy of national service, arguing that capability had been sacrificed to the sheer number of men trained. For this reason, the national service intake would be reduced from 34,000 to 12,000 annually for the AMF, while the RAN and RAAF programs were terminated. Menzies, anticipating criticism, pointed out that savings would be diverted to the creation of a Mobile Brigade Group. The new group of 4,000 regular forces would be highly trained and specialised for immediate deployment in the event of limited war in South-East Asia. Able to be deployed quickly to respond to an immediate threat and, if need be, supported by additional forces drawn from the citizen and regular forces, this contingent was consistent with the strategic concepts for the defence of the SEATO area.¹⁰³

The 1957 Defence Review identified a critical lack of modern defence equipment, calling for the defence forces to be rearmed ‘with the most modern conventional weapons available’.¹⁰⁴ There was, as Casey noted in an October 1956 diary entry, ‘only one country from which we could get equipment of consequence ... and that is the United States’. ‘I realise,’ he continued, ‘that this means a departure from our traditional

101 ‘Report, First Meeting of SEATO Military Staff Planners, 5 May 1955’, NAA: A1209, 1957/5850; ‘Report, Third Meeting of Military SEATO Staff Planners, 5 July 1956’, NAA: A1209, 1957/4260.

102 ‘Defence Committee report, [n.d. (October 1956)]’, NAA: A1196, 15/501/378; ‘“Composition of the Australian Defence Forces”, Cabinet Submission by Defence Committee, 19 February 1957’, NAA: A4940, C2466.

103 *CPD: Representatives*, 4 April 1957, No. 14, 571–5; *Official Year Book of the Commonwealth of Australia*, No. 44 (Canberra: Commonwealth Government Printer, 1958), 1048–50.

104 ‘Defence Committee report, [n.d. (October 1956)]’, NAA: A1196, 15/501/378.

standardisation with the United Kingdom—but we have to face up to this break sometime.¹⁰⁵ Menzies faced this break on 4 April, announcing his government's decision to standardise AMF and RAAF equipment with that of the US. Preliminary plans included the local production of FN rifles (used by the US Army), the acquisition of 12 US C-130 Hercules-type modern transport aircraft and the formation of Australia's first surface-to-air weapons unit.¹⁰⁶ Having traditionally cooperated with Britain's defence industries, Menzies was conscious of the implications that US standardisation may have on the Australian–British relationship. The decision, he argued, was 'not a heresy', rather it recognised 'the facts of war'. By virtue of SEATO and ANZUS, Australia would fight any future war in South-East Asia alongside the US. The US had the capacity to maintain a supply of defence goods, while Britain would find it 'manifestly difficult'; although not specified, this conclusion was no doubt drawn as a result of the ongoing economic challenges faced by Britain and its embarrassing exit from Egypt.¹⁰⁷ Britain was struggling to maintain a major defence role east of Suez and Australia's reliance on the US increased accordingly.

Australia's transition to the US and adherence to its global strategy were not inevitable. Rather, maintaining British world power via cooperation with the US was a priority for the Menzies government. It was only through a careful and forthright assessment of the capabilities and priorities of Britain and the US that Australian policymakers concluded that the latter would best serve the national interest in the future. Britain's economic and defensive capabilities were unequivocally limited and it appeared to be retreating from South-East Asia. Conversely, the US seemed finally to be interested in the region and appreciative of its importance within global strategy. The developments covered in this chapter, particularly those during the years 1955–57, can be seen as a culmination of the lessons learnt and experimentation in foreign policy approaches in the previous three and a half decades as Australia made astute appreciations as to what the national interest was and the relationships that would best protect it. The final decision by Australia to realign with the US reveals

105 '10 October 1956', in Millar, *Australian Foreign Minister*, 247.

106 *CDP: Representatives*, 4 April 1957, No. 14, 575–6; *Official Year Book of the Commonwealth of Australia*, No. 44 (1958), 1048.

107 *CDP: Representatives*, 4 April 1957, No. 14, 572–3.

a level of autonomy and forward thinking that has been underappreciated in existing assessments of these crucial years in the development of the Australian foreign policy tradition.

The year 1957 was not the end of Australian–British high-level relations, with the RAN operating in line with British standards until 1961 and the two nations cooperating in 1964–65 in the defence of the Federation of Malaysia in the face of Indonesia’s policy of *Konfrontasi*.¹⁰⁸ Britain and the Sterling Area also remained Australia’s most significant commercial links into the 1960s. However, the Australian government was aware of an urgent need to diversify its trade relations, as the British government sought greater economic engagement with Western Europe via membership of the European Economic Community. The Australia–Japan Commerce Agreement, which was renewed and expanded in 1963, and a burgeoning commodities export trade formed the foundation of Australia’s economic adjustment. By 1966, the Australian dollar was introduced, signalling the nation’s withdrawal from the Sterling Area, and Japan had become Australia’s largest export market.¹⁰⁹ In spite of these enduring links, developments and policy decisions made in the period 1951–57 marked a distinct departure from the traditional Australian–British relationship of patronage and protection. With this, there was the acknowledgement that the imperial connection could no longer provide for Australia’s material interests nor its defensive security.

108 Cooper, ‘At the Crossroads’, 709–10; David Goldsworthy, *Losing the Blanket: Australia and the End of Britain’s Empire* (Melbourne: Melbourne University Press, 2002), 95–8, 142–3.

109 Ward, *Australia and the British Embrace*, 41–68, 230, 247–8.

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