

## 4. THE SEED OF FREEDOM

‘Hungry people are dangerous people’, exclaimed the Melbourne correspondent for the *Eastern World* journal, ‘the East keeps clamouring for rice and more rice and the bullock cart and the wooden plough are poor instruments in breaking up virgin land quickly enough to supply the need — only the bulldozer and the tractor plough can hope to win in this race for food’.<sup>1</sup> The remedy for socio-political instability in Asia seemed profoundly simple: if the people were hungry and restive then feed them, or at least provide the technology for them to do so themselves. ‘The key to the political problem of South-East Asia is food’, said Kim Beazley (Snr) during a parliamentary debate.<sup>2</sup> But how could an aid program such as the Colombo Plan remedy a problem of such magnitude? And what exactly was Australia’s obligation to the starving millions to the north?

Humanitarian duty to poor Asians was a relatively minor feature of Spender's effort to garner support for the Colombo Plan. His preoccupation with geo-political security meant that, if anything, he deflected suggestions that charity formed the basis of Australia's aid program. The provision of aid, he said in parliament, is 'not a policy of mere humanitarianism; it is also a policy of serious self-interest'.<sup>3</sup> Striking a harder line, Department of External Affairs officials did not consider 'appalling poverty ... sufficient grounds for a government program'.<sup>4</sup>

The earlier concern with establishing the Colombo Plan and attracting the interest of the United States also precluded any serious political analysis. Only after the program had been in operation for a year did the DEA begin to appraise the various objectives Australia's foreign aid program was to achieve. Working in secret, DEA officials determined basic policy objectives that were animated by a deep unease about living beside a region they saw as poverty-stricken, unstable, vulnerable to communist takeover, and lacking the steadying hand of colonial rule. Through the Colombo Plan, they aimed to influence Asia's economic and political future and secure Australia's place in the region.

By 1950, the idea that aid would buttress South-East Asia against communist ideology thus strengthening the 'spine of resistance from Delhi to Djakarta', as one parliamentarian put it, was already widely publicised by the Australian media.<sup>5</sup> In the minds of DEA policy-makers, this was the Colombo Plan's fundamental *raison d'être*. The aid program, they wrote:

*may be justified as a counter to communism in fairly simple terms. On the assumption that low living standards — or even more so, declining living standards — provide communism's most*

*fertile ground, effective action to raise living standards or at least prevent present standards from falling, will weaken the appeal which communist agitators are able to make.*

Equal to these anti-communist ambitions was a more secretive agenda to use aid to 'modify any resentment arising from differences between Australian and Asian living standards' and 'strengthen or develop amicable political relations' by using economic and social instruments to assert political and cultural pressure on Asian people and their leaders. Specifically, aid should 'not interfere with the established governments or existing constitutions or political institutions and procedures', and while there was 'a tacit understanding that no assistance will be given to communist governments', potential aid recipients have been 'encouraged to believe that they need no political qualification for assistance'. Furthermore, the DEA, like most people at the time, felt uneasy about the existence of great poverty next to great wealth. In a politically unstable climate, they believed that the 'proximity between Australia, with its high living standards, and Asia, with its extreme poverty, easily arouses resentment'. Economic aid was one way in which Australia could make a gesture towards Asia and take the 'edge off Asian resentment'. In order to achieve these covert objectives while maintaining the Colombo Plan as a symbol of non-political union between Asia and the West, a public image distinct from private understandings became essential. 'In any public discussion', Tange recommended, 'it is desirable to avoid any reference to the political and strategic objectives of the plan, or at least to make references only in the most cautious terms'.<sup>6</sup>

A cohort of DEA staffers, however, expressed a moderate and less interventionist approach. W.T. Doig from the Economic and Technical Branch, which managed the

Colombo Plan, explained his views directly to Spender. Australians, he said, ignored the history and culture of Asia:

*We understand them possibly as much as they understand us — only a little. The political objectives therefore of our policy should be not to secure complete and full understanding immediately or quickly; not to expect in return for economic and technical aid, an identity of viewpoint with our own on all current and international issues.*

Doig suggested that the Colombo Plan would better serve Australia's long-term regional interests if it played a more organic role by providing a framework for continuing relations, as opposed to the mere provision of assistance, which would facilitate further regional cooperation and develop 'greater understandings of attitudes, prejudices, fears, motives, customs, etc, between East and West'. Specifically, the Plan should not take a coercive approach but aim to 'convince Asian countries that we do not expect them to adopt our systems, our ways of life, our customs, or our religion, and that we are on their side against Soviet imperialism'.<sup>7</sup> Only later would the DEA incorporate Doig's idea into the Colombo Plan and, more broadly, into Australian foreign policy. In the early 1950s, the urgency of the international situation called for a more forthright approach.

However, the ability of Western aid to increase agricultural and industrial production and thus affect the political future of Asia was always questionable. Both the government and the DEA knew that the Colombo Plan's failure to deliver quantifiable change would contradict the basic principle on which the program rested. 'The ordinary Asian is likely to suffer considerable disillusionment, if he has heard about the plan, when he sees what little it

achieves, in terms of Asian needs, and how thin the chances are that it will bring about ... real development and capital investment, as opposed to an occasional first aid operation'. The DEA advocated caution. If no tangible evidence of progress could be identified then 'emphasis on developmental aspects for propaganda purposes [was] likely therefore to return to plague the inventor'. Of course, simply establishing contact and providing financial aid did not guarantee a positive rapport with a recipient nation. Indeed, if the funds were misdirected or mismanaged, aid might have little impact or contribute to a deterioration of relations. By the same token, the domestic political arena of a recipient nation had to be examined closely. Contrary to public assurances, certain 'political qualifications' were required:

*It would be logical to increase economic aid to those countries where the threat of communist disruption was especially acute. [However] without any control of the domestic policy of recipient governments, the benefit of any external aid could be completely offset if the recipient government's domestic policies were reactionary or unimaginative. Even though 'average' per capita income in the underdeveloped countries may be rising, with national income increasing at a greater rate than population, effective internal policies of income distribution are essential to ensure that the benefit is passed on to those sections of the population most susceptible to communist propaganda.<sup>8</sup>*

Goods entering Asian countries under the Colombo Plan certainly raised the prospect of securing longer-term commercial markets for Australian exports, but over the decade it became more important not to 'supply foodstuffs

where the effect of the gift would be to replace normal commercial sales'.<sup>9</sup> Rather, the DEA hoped that economic cooperation would help to ameliorate any political animosity that may have developed towards Asian countries, especially non-Commonwealth nations. Even more ambitiously, it was asserted that cooperation and aid might transform an attitude of 'virtual neutrality ... into something more positive', reducing the strategic significance of certain countries.<sup>10</sup> For example, the ambivalence of Indonesian officials towards the Colombo Plan would have been less of a concern to DEA officials if Australia established links with countries north of Indonesia. At the time, the department considered Indonesia, Indo-China, Thailand, the Philippines, and Burma the most likely to be drawn into closer diplomatic relations through an economic alliance. Over the decade, while Australian diplomats warned that relations with the region would be determined by much weightier issues than foreign aid, some recognised the Colombo Plan's capacity to preserve 'latent goodwill' and serve as 'an antidote to unfavourable publicity', particularly over difficult issues such as West New Guinea and immigration policy.<sup>11</sup>

The primary weakness of the Colombo Plan lay in the untested assumption that economic assistance and development would 'moderate political conflict'. Consequently, the DEA followed a careful — if crude — process to distribute aid to maximise the short-term political and social benefits for Australia. The development plans drawn up by member nations at the Consultative Committee's request had limited bearing on this process. Australia allocated aid according to four criteria: political objectives, commercial interest, relative needs based on per capita income, and the amount of aid provided by other countries. The DEA then divided aid recipients into three

categories, based on their potential for sustaining a positive political rapport with Australia. The first category comprised those countries with close political associations with Australia, 'where economic aid is expected only to confirm and improve the existing position, rather than help build a new political relationship'. This category included India, Pakistan, Ceylon, and British territories in South-East Asia. The second group comprised countries considered 'neutral' who might develop into 'allies' through economic aid; it included Thailand, the Philippines, and Burma. The final group comprised nations where the political situation had 'passed beyond the stage of forestalling unrest through extension of economic aid', and required military intervention. This was the case for Indo-China, where the extension of assistance was likely to be 'almost wholly wasted' and any token offering would make only a 'fleeting political impression'.<sup>12</sup> It was futile, as one diplomat put it, to 'fatten a country which will soon pass into Communist hands'.<sup>13</sup> However, this assessment altered as the strategic importance of Cambodia, Laos, and South Vietnam became apparent.

Just as the US State Department considered South Asia of 'determinative importance' to its military plans, Australian strategic assessments drew attention to the significance of the sub-continent.<sup>14</sup> Congenial relations with both India and Ceylon were important components of defence planning, with access to Ceylon's naval and air bases of particular significance. Ceylon's primary military value was as an 'air funnel', which allowed more effective protection of Indian Ocean sea lanes than bases in Malaya or on the east coast of Africa could offer. Also, in the event of nuclear conflict, Ceylon might operate as a guidance station for Polaris nuclear missiles launched from submarines in the Indian Ocean.<sup>15</sup> By and large, the government still endorsed Secretary of Defence Frederick Shedden's view

that one of Australia's strategic objectives in South Asia was to establish 'satisfactory political relations with the future independent Government of Ceylon with a view to retain Ceylon as a co-operative member of the British Commonwealth'.<sup>16</sup> Of the initial bounty of £A31.25 million, Australia gave over £A19 million to Ceylon, India, and Pakistan; setting aside the remainder in anticipation that non-Commonwealth Asia would sign on.<sup>17</sup> Not only did this reinforce Commonwealth relations and enhance Australia's status as a good neighbour, it signalled to the rest of Asia the benefits they might gain once they elected to join the Consultative Committee.

By the mid- to late-1950s, as Australia's strategic interests shifted to South-East Asia, so too did the emphasis of overseas aid. Although the government's intention to bring most of Asia into the Colombo Plan 'family' tended to disperse Australia's already limited aid budget, by the 1960s South-East Asian countries (Indonesia, Malaya, Cambodia, Laos, Vietnam, Burma, Thailand, and Singapore) had received over 60 per cent of all Australia's Colombo Plan allocations.<sup>18</sup> At the same time, as the region started to show signs of economic growth, aid to Malaya increased from approximately 10 per cent of the total budget in 1956 to around 30 per cent in 1970.<sup>19</sup> During the Plan's first twenty years, Malaya and Indonesia consistently received the highest amounts of educational and technical assistance. The number of Australian staff responsible for the administration of Colombo Plan projects also reflected the significance of Malaya. By 1965, three officers in Kuala Lumpur and one in Singapore oversaw Australia's aid projects, as opposed to India and Pakistan, where only one officer was responsible for administering the Colombo Plan.

Notwithstanding the DEA's admission that Australian aid contributions to Asia were 'little better than

trifling', the Colombo Plan represented a revolution in the pattern of Australian overseas aid spending.<sup>20</sup> The Australian government had regularly supported aid organisations run by the UN, such as UNRRA, IRO, UNKRA, UNICEF, UNRWAPR, UNEPTA and IBRD,<sup>21</sup> but an ongoing bilateral aid relationship with Asia did not exist. From 1950 on, Australia shifted the focus of its aid contributions towards the Colombo Plan and gradually reduced its multilateral commitments to the UN. Of course, assistance to Papua New Guinea remained the government's overriding aid priority. In 1950, when Spender managed to wrest around £A5 million a year from Treasury for the Colombo Plan, Australia was already spending over £A10 million per year in Papua New Guinea. Further, in contrast to Colombo Plan allocations, which remained relatively stable, aid to Papua New Guinea increased rapidly from the mid-1950s, from £A10 million per annum in 1956/57 to over £A36 million in 1965/66.<sup>22</sup> Australia's aid program alone was clearly unable to remedy the major economic problems endemic to many of the recipient nations. The total amount of aid provided by other donor nations was substantial, boosted massively by over \$US1.4 billion from America under its Mutual Security Program.<sup>23</sup> Even so, the Colombo Plan's six-year total budget of \$US2 billion paled in comparison with the \$US13 billion channelled into Europe through the Marshall Plan between 1947 and 1952.

At face value, the Commonwealth's reluctance to make a greater commitment to the Colombo Plan illustrated a lack of faith in the ability of aid to effect real change in Asia. In Australia, for example, the Colombo Plan's annual budget of around £A5 million stood in stark contrast to the yearly expenditure on defence which exceeded £A170 million for most of the 1950s.<sup>23</sup> However, like all foreign-aid programs of the post-war era, the

Table 1: Colombo Plan Assistance provided by major donor nations between 1950 and 1964/65<sup>24</sup>

	<i>Capital assistance (£A '000)</i>	<i>Technical assistance (£A '000)</i>	<i>Number of students accepted</i>	<i>Number of experts sent on assignments</i>
Australia	38,476.6	17,290.5	5,908	679
United Kingdom*	520,206.7	17,876.0	6,256	731
Canada	269,647.1	9,479.4	2,997	427
New Zealand	9,389.3	5,057.0	1,763	244
United States	8,292,273.2	220,048.2	15,709	3,567
Japan	71,011.9	3,842.5	1,887	610
<b>TOTAL</b>	<b>9,201,004.8</b>	<b>273,593.6</b>	<b>34,520</b>	<b>6,258</b>

\* UK figures exclude the release of sterling balances up to 1958 under arrangements with India, Pakistan, and Ceylon (£Str252 million)

Colombo Plan was predicated on a series of assumptions central to Western concepts of economic growth. In Western thought the concept of development has been (and is) so deeply ingrained that it is assumed to act as a law of nature, and during the 1950s, the term 'development' was used interchangeably with 'progress', 'evolution', 'change', and 'growth'. Following the Second World War, European and American economic theorists turned their attention to the problems of the underdeveloped world. Key individuals who contributed towards a modernist development theory based on the application of Keynesian principles included P. Rodan-Rodenstein, Roy Harrod, William Arthur Lewis, Ragnar Nurkse, and Walt Rostow.<sup>26</sup>

Driven by a tremendous sense of optimism, these planners — along with their devotees around the world — hoped that the application of advances in technology and

the social sciences to the developing world would rapidly bridge the gap between rich and poor countries. 'Backward economies', later known by the more polite synonym 'underdeveloped', were characterised by rural overpopulation, inefficient agricultural practices, inadequate technical equipment, lack of scientific knowledge, and an inability to generate capital. The path to modernity, they argued, involved a number of common factors, including the accumulation of capital, increased use of technology, industrialisation, sophisticated administrative structures, large-scale development projects, and external aid. Extensive state intervention was initially required to overcome the long years of stagnation, but once started, future growth would be self-sustaining. As W. Lewis put it in 1950: 'Once the snowball starts to move downhill, it will move of its own momentum, and will get bigger and bigger as it goes along ... You have ... to begin by rolling your snowball up the mountain. Once you get there, the rest is easy'.<sup>27</sup> In another incarnation, Western technology was believed to yield almost magical results. New Zealand's Minister for External Affairs, Frederick Doidge, claimed dramatically: 'We could almost wipe out hunger overnight if we could only get the people of these primitive lands to use scythes instead of sickles, and steel ploughs instead of wooden ploughs'.<sup>28</sup> The point to note is that the idea of self-sustaining economic development was not a convenient rationalisation for offering limited assistance. The quantity and type of aid provided, while important, was less significant than the process it was intended to start.

The idea that development was an unstoppable, linear process was popularised in 1960 in economic historian Walt Rostow's classic text *Stages of economic growth*. Rostow argued that every economy passed through a sequence of stages leading from 'traditional society' to

'high mass consumption'. The critical phase, he suggested, was the one that achieved 'preconditions for take-off', where a massive mobilisation of capital would stimulate structural reform and then launch a process of self-sustaining investment and growth. In a passage replete with Darwinian overtones, Rostow envisaged a state of affairs where 'traditional' culture would disappear beneath the advance of modern civilization, with a 'modern alternative ... constructed out of the old culture'. Supplementing the economic revival would be the formation of a new elite, driven by an entrepreneurial spirit.<sup>29</sup> The power of Rostow's book lay in its simplicity and in the way he pushed his analysis as a practical alternative to Marxism. The subtitle, *a non-communist manifesto*, left no doubt as to his political proclivities. Economists debated the merits of Rostow's model for decades, but the basic tenets of his theory and those of his contemporaries, particularly the emphasis on industrialisation, the necessity for state-initiated development planning, and a development model based on Western experience, remained influential well beyond the 1950s.<sup>30</sup> Cold war anxiety and the need to show no weakness in the face of communism also encouraged the suppression of more critical or even pessimistic analyses.

In this context, these theories soon became more than the fruits of benign intellectual pursuit. Development was an opportunity to carry Asia towards an idealised notion of industrial civilisation. Theorists deemed the archetypal modern society to be composed of key economic, social, and psychological ingredients, such as mass consumerism, high savings and investment, urbanization, high literacy, and a strong work ethic. Successful development required a holistic approach to reforming the underdeveloped economy. H. Laugier, Assistant Secretary General of the UN's Department of Social Affairs, put it succinctly when

he wrote that 'human progress depends on the development and application to the greatest possible extent of scientific research' and where a country's 'physical, intellectual, and moral development lags behind the general pace of civilisation, immediate concrete measures' must be taken to 'help them along the path of human progress'.<sup>31</sup> An assessment of the Colombo Plan written in *Australian Outlook* explained that to achieve such progress 'required grafting onto Asian societies ... the best in capitalist thinking and attitudes, as well as techniques'.<sup>32</sup> For this reason, the proponents of development emphasised the importance of education and the mass media in helping to disseminate the Western cultural and attitudinal qualities they thought essential to the achievement of modernity. For example, in December 1952, when Indonesia finally yielded to entreaties to join the Colombo Plan, Australia agreed to provide six mobile cinema vans, textbooks, educational films and equipment for two vocational training centres, in addition to over £A1 million worth of buses, marine engines and agricultural vehicles.<sup>33</sup> Notably, by the mid-1950s Australia had offered over a quarter (500) of its Colombo Plan scholarships to Indonesia.

Before Rostow's ideas achieved prominence, the National Security Council (the American President's high-powered forum for considering national security and foreign policy issues) articulated a similar, although less colourful, development philosophy. Its view was that the Colombo Plan would not 'of itself bring about significant increases in living standards.' Rather, they hoped that after a few years recipient countries 'would have established an environment that would encourage a maximum utilization of domestic savings and a reasonable flow of outside investment capital for further development activities'.<sup>34</sup> Development theorists like Rostow confirmed the basic thrust of Western

economic diplomacy and lent it academic credibility. For this reason, their ideas achieved rare prominence among bureaucrats and politicians responsible for foreign affairs decision-making. Rostow himself went on to become Special Assistant for National Security Affairs for President John F. Kennedy and President Lyndon Johnson.

Australian planners embraced modernisation theory in the post-war years, not least because Australia saw itself as a developing nation, requiring external capital and economic stimulation. Under the guidance of the Department of Postwar Reconstruction (DPR) and its influential head, Herbert ('Nugget') Coombs, Keynesian economics reigned supreme and few doubted the active role the state should play in governing economic growth. Coombs' vision for Australia embodied the same faith in science and technology as the 'take-off'-styled boosters.<sup>35</sup> 'Modern technology', he wrote in his memoirs, 'could be placed at the disposal of communities — not as a framework constraining and determining their lifestyles but as a force capable of liberating their imagination and giving scope to their creative energies'.<sup>36</sup> Here, Coombs was referring to Australia's rapid industrial expansion, but the same interventionist ethos he espoused applied equally to the less developed economies in Asia. Australia, of course, had practical experience in stimulating economic growth in undeveloped countries. Paul Hasluck, Minister for Territories between 1951 and 1963, saw Papua New Guinea as a 'society still awaiting the full effects both of the techniques and mechanical strength of Western civilisation, the blessings of Western medicine and society, the ferment of ideas of civilised man'. Australia, he said, had a duty to create both a 'community and an economy' whereby 'primitive beliefs and codes' gradually gave way to a 'new order'.<sup>37</sup> Rostow himself could not have been clearer.

More directly, Australian experts working in Asia under the Colombo Plan often reinforced the key assumptions about Asian society which underpinned the program, namely that apathy, conservatism, and laziness left them destined to languish as a poor and vulnerable race. Agricultural economist T.B. Paltridge, for example, undertook a two-year assignment in Ceylon in the mid-1950s to establish a Division of Agronomy at the Coconut Research Institute and locate pasture suitable for coconut plantations. Paltridge received full cooperation from local Ceylonese staff, the equipment he ordered arrived from Australia promptly, and he successfully helped establish the facilities to undertake soil analysis; nevertheless, he devoted most of his report to the Ceylonese attitude to Colombo Plan aid and the nature of Ceylonese society. He encountered a curious resistance to change and a 'peculiar lack of incentive' at all levels of society. The people, he wrote, believed that 'international aid is their right; rather than a gesture of goodwill'. Over time, Paltridge mused, 'the Ceylonese have gradually become a subservient and ineffective people'. He wondered if this was because of a lack of leadership, malnutrition, climatic conditions, disease, or even genetics. Paltridge proposed that Australia launch an investigation into the factors causing the loss of vigour and initiative, although he warranted that such a study would be difficult to implement. 'On the other hand', he concluded, 'if we could pinpoint some real and basic problem of that nature and if we could remove the fundamental cause of lassitude among these peoples, then it might be possible to encourage the greatest revival and development in human history'.<sup>38</sup>

The London report of the Consultative Committee, which set out the Colombo Plan's basic aid philosophy, encapsulated the very essence of modernist development

theory, which was sweeping the world. The report stated that the particular strength of the program was its ability to lay 'sound foundations for further development' and thus promote a domestic economy able to 'sustain its own investment programme'. The Colombo Plan would 'involve the application of modern technology and skills to the under-developed and traditional economies of the countries of South and South-East Asia'. Administrators, scientists, and technicians from overseas can help Asians 'equipping themselves to use the recent advances in science and technology which, applied to the tasks of peace, can bring incalculable material benefits to all in South and South-East Asia'. Furthermore, rising standards of living would increase the 'vigour and productivity' of the people and 'eventually exercise a steadying influence' on population growth, seen by many as the fundamental reason for Asian poverty.<sup>39</sup> The Consultative Committee report rang with evangelical fervour: 'they must be liberated so that they can contribute towards the self-realisation of individuals, towards the fulfilment of national aspirations'. Development 'by its own momentum [would] ultimately bring about a solution' and lead the poor nations of Asia — phoenix-like — out of the ashes of underdevelopment.<sup>40</sup> Significantly, administrators from recipient nations themselves agreed with this logic and recognised that although the funds made available were low, a cohesive basis for growth had been set in place.<sup>41</sup>

At its heart, then, the Colombo Plan aimed to oversee Asia's embrace of Westernisation and build the foundations for a self-sustaining, modern economy. It presented Asian underdevelopment as a problem requiring a non-political, scientific solution that encompassed social reform. Discussion of fiscal policy, health reform, and lack of technology and expertise, however, masked the overarching

assumption that cultural and social factors, not just economic ones, had retarded development and exposed these nations to the lure of revolution. In official circles, Asians were considered psychologically susceptible, by virtue of their physical poverty, to communist blandishments. Poverty, as the Consultative Committee put it, had circumscribed their bodies and their minds. The cock-sure Percy Spender seized the opportunity to step into the breach. Rejecting any suggestion that a non-interventionist approach would foster greater appreciation from the people of Asia, Spender believed it was insufficient for the West to present passively the advantages of liberalism, individualism, and democracy. In a long article for the respected US journal *Foreign Affairs* in January 1951, he made the point that communism was an idea 'foreign' to Asian people and acted as an instrument of 'internal intervention', working 'with and among the people ... on the minds and political life of the community'. Aid donors needed to look beyond the 'realm of material welfare' towards 'abstract ideas' if they were to confront communist subversion. The West, he said was 'entering the struggle for the purpose of winning the mind of Asia'. Australia's religious fraternity also joined the fray. In 1953, the distinguished Archbishop Howard Mowll claimed that undernourishment had left the Asian mind as a kind of *tabula rasa*, open and willing to receive. The solution was a 'spiritual Colombo Plan', because the people of Asia were like 'soft wax, ready to receive impressions which, if imparted before the wax got cold, would be retained as their future character'.<sup>42</sup>

Asia's apparent vulnerability and the regenerative power of development reinforced the Colombo Plan as the natural and necessary interface between the problem of Asian underdevelopment and the arrest of communist subversion. By feeding the belief that communism could

not take hold in the face of unbridled economic expansion, development programs such as the Colombo Plan became instruments of international relations and legitimised Western intervention in the underdeveloped world. Bolstering Asia through economic support represented only one facet of the Colombo Plan's underlying political strategy. Competing directly for intellectual and ideological influence also became an increasingly prominent feature of Australia's aid initiative. The first wave of Colombo Plan scholars presented an exciting chance to directly engage Asians and instil in them the virtues of Australian culture and democracy. To this end, the DEA also considered the scholarship program to have long-term and 'self-sustaining' political benefits: it created 'the body of people in Asian countries which is gradually built up with an intimate knowledge of Australia and, it may be hoped, some affection for this country', but also provided a 'balm' to those who resented Australia's immigration restrictions. Similarly, the DEA reasoned that the scholarship program and supply of expert personnel and technical equipment would encourage understanding and acceptance of Western values more effectively than capital aid. Officials thought the personal interaction between Australian technicians and Asians would provide some compensation for the fact that their reports would be quickly superseded if, in fact, they did not 'gather dust from the start', and that Asians would soon forget where the technical equipment had come from.<sup>43</sup> Reflecting these priorities, the DEA initially devoted 70 per cent of the technical aid budget to training and scholarships, 20 per cent to equipment, and just 10 per cent to the supply of technicians.

By the second year of operation, the DEA's concerns about the effectiveness of the program began to materialise. In what would become a depressingly familiar formula, the

Consultative Committee's annual report stated that economic advances were slight and outpaced by increases in population. When the afterglow of Korean War stockpiling faded and the price of primary commodities tumbled, the Consultative Committee could only lament Asia's vulnerability to the vicissitudes of the world market.<sup>44</sup> While Colombo Plan donors now reported Asia's economic future in 'less airy and less optimistic terms', they offset their pessimistic assessments with the promise of future growth, lest they quash the hopes of the underdeveloped world or the spirit of the Colombo Plan. The publicity wing of the Colombo Plan Bureau, opened in 1954, was particularly careful not to raise the hopes for an economic miracle in spite of any Herculean efforts from Asian workers: the hard road was inevitable, one promotional pamphlet told, because 'the process of economic development is slow and must go on for years as it did in the West'.<sup>45</sup> In an Orwellian twist, as genuine economic improvement seemed unlikely, the Australian government began to emphasise more forcefully the humanitarian dimensions of the Colombo Plan and its capacity to foster international goodwill.

The man charged with the task of incorporating the Colombo Plan into the wider ambit of Australian foreign policy was Spender's successor as foreign minister, Richard Casey. Spender had resigned after the signing of the ANZUS treaty in early 1951 to take up the distinguished position of ambassador to the United States. (Gossip suggested that Menzies saw Spender as a potential rival and so made him the handsome offer.<sup>46</sup>) Nevertheless, Casey's appointment to the portfolio, which he would hold until 1960, marked an important change in the tenor and scope of Australia's diplomatic relations. No less hawkish than his predecessor, Casey was, however, a more measured and

congenial character — far more adept at building diplomatic rapport with regional neighbours. His dapper dress-sense, impeccable deportment, and legendary dislike of economics confirmed the opinion of his detractors that he lacked depth, but his outstanding personal relationships with influential people throughout the world proved adequate compensation. To his friends he was an urbane, well-travelled and well-read gentleman with a ‘modulated resonant voice’.<sup>47</sup> To others, this impeccably dressed engineer-cum-politician, with literary pretensions and a passion for flying his own aircraft, stood aloof from the Australian political scene. The UK Chancellor of the Exchequer, Hugh Gaitskell, found him ‘curiously English and un-Australian’.<sup>48</sup> Certainly, Asian leaders came to prefer his urbane and quiet manner to Spender’s brash effervescence.<sup>49</sup>

Few Cabinet members rivalled the diversity and breadth of 61-year-old Casey’s career. An engineer by training, he came from a wealthy and well-connected family. During the First World War he served in Egypt, at Gallipoli, and on the Somme, earning the Distinguished Service Order and the Military Cross. In 1924, Prime Minister Stanley Bruce appointed him Commonwealth Liaison Officer in London. Returning to Australia in 1931, he joined the United Australia Party and won the federal seat of Corio. A dutiful and diligent parliamentarian, Casey served in a variety of ministerial positions, but his ambitions of becoming Prime Minister were thwarted in 1939 following a failed leadership challenge. A humbled Casey accepted Menzies’s offer to head the Australian Legation in Washington. In America, he was quietly impressive, enhancing his reputation and gaining important experience in the ways of diplomacy. His reputation as a capable diplomat reached Winston Churchill, who offered

him the position of British Minister of State resident in the Middle East. In 1943 he accepted another imperial posting, this time the governorship of Bengal. Three years in this difficult position brought him into close contact with Asian leaders and, importantly, anti-colonial feeling. In 1949 he re-entered parliament, but with Menzies now firmly at the helm of the Liberal Party, any lingering hopes Casey had of leading the party were dashed.<sup>50</sup>

Casey's interest in the region grew rapidly from the time he took over the External Affairs portfolio in April 1951 and made his first overseas trip to Asia as minister. He opened new diplomatic posts in Saigon and Rangoon, and raised the consulate-general post in Bangkok to legation status. Throughout his career, Casey extolled the virtues of cultural exchange facilitated by the Colombo Plan's scholarship program. He was also among the first to identify the scheme's potential to change the way Australians thought about themselves, as well as the way they thought about Asia. 'We need to understand and be understood by the countries of South and South-East Asia', he told the Australian Institute of International Affairs on 25 September 1952. For Asian students 'to see Australia at an impressionable stage of their lives and to exchange views at our universities and with our officials should do a great deal to break down prejudices and misunderstandings on both sides'.<sup>51</sup>

Casey prided himself on his belief in the importance of personal diplomacy. His addiction to the press release, and what he called the 'human and personal element' of inter-governmental exchange, naturally spilled over into his approach to the Colombo Plan. Casey pushed the idea of aggressively promoting public awareness of Australia's aid programs, telling his Cabinet colleagues that Australia must seek to generate 'intensive publicity'.<sup>52</sup> He made a particular point of using Colombo Plan funds on short-

term, identifiably Australian projects. In 1953, he directed the Assistant Secretary of the DEA, James Plimsoll, to pay close attention to publicity and avoid having Australia's contributions 'sunk', or become unidentifiable, in large projects. Casey requested that attention 'be given to a series of plaques of different sizes and applicable to various types of equipment ... If this is done in a not too obtrusive way, it would go some way towards having a permanent record that they [Asians] would be aware of, of the fact that Australia had provided equipment'.<sup>53</sup> Here Casey set an enduring precedent. His goal was to give Australia a visible presence in Asia and secure long-lasting political dividends; the effectiveness of the projects themselves were only important to the extent they served this objective. Cooperation with the media also helped ensure popular support for the plan, which in turn, helped Casey generate interest from an indifferent Cabinet. Rather than vague forecasts of economic development, he could point to improvements in Australia's international reputation, something of more immediate concern to his worried colleagues.

Sober appreciations about the effectiveness of development projects, the need to obtain political benefits (both domestic and international), and a desire to promote Western values — all meant that publicity and propaganda would never be tangential to the Colombo Plan. All the major donors shared these concerns. The British Foreign Office reasoned that publicity would help disguise the low levels of assistance and convince left-wing detractors that the 'development of South and South-East Asia has not been sacrificed to the rearmament drive'.<sup>54</sup> For the US State Department, the publicity attached to aid projects should foster an 'understanding of the nature of Soviet Communism and encourage attitudes hostile to it'.<sup>55</sup> Of course, donors

attempted to counter accusations that the Colombo Plan amounted to little more than a public relations exercise — ironically, with more publicity. Indeed, Spender wrote in the introduction to *New hope for Asia* (1951), the first major publication designed to promote and popularise the Colombo Plan, that the scheme was ‘a concrete, material answer’ to Asia’s development problems; ‘it gives new hope for Asian peoples, not the faint hope inspired by shallow propaganda’.<sup>56</sup> Another underlying message was that Western aid was an expression of genuine and dispassionate concern for Asian progress, and in no way like the empty promises made by Soviet and Chinese communists.

In the bilateral climate, so integral to the Colombo Plan philosophy, the Australian government soon discovered that the political and publicity value of an aid project depended on a host of other factors, such as aid relationships with other donors, the attitude of the recipient government, and the general economic conditions. For example, the main factor influencing Indonesia’s decision to eventually accept aid under the Colombo Plan was the country’s rapidly deteriorating economy. As US aid priorities shifted towards India and Indo-China — regions the US State Department considered strategically more significant and vulnerable to communism — non-military aid to Indonesia fell from \$US13 million per annum in 1951 to just \$US3 million in 1953. Large quantities of US aid, which had hitherto deflected interest in the more limited Colombo Plan, were now being offered to India and Indo-China. Indonesia’s misfortune favoured Australia. Australia was poised to assume the role of magnanimous aid donor as economic conditions worsened and goodwill toward the United States evaporated.<sup>57</sup> Australia’s Minister and Chargé d’Affaires in Djakarta, John Kevin, explained the benefits of this ‘flying start’:

*One would suppose that there are few countries in Asia where the volume of Australian aid has a prospect of approximating that currently granted by the United States; and it is more valuable from our viewpoint that the exception should be Indonesia, where we have so important a political, economic and strategic interest and where the injection of Australian help comes at so opportune a time.*<sup>58</sup>

Differentiating Australian aid from the American largesse became increasingly important, not merely to attract the attention of Indonesia and other non-Commonwealth nations, but also to improve Australia's nascent regional profile. A persistent problem for Australia, Casey told Menzies in 1954, was that of 'combating the belief that is held in some quarters that we are an American "satellite"'.<sup>59</sup> The pursuit of US military protection and support, especially over West New Guinea, may have been central to foreign policy, but it was not to come at the expense of Australia's regional identity. In April 1953, Australia stymied an Indonesian attempt to reshape the Colombo Plan's technical cooperation committee by having monthly instead of annual meetings. Australian representatives in Djakarta thought the idea sound and likely to facilitate contact between individuals interested in making aid projects more efficient, but they determined it was 'undesirable for any other body to develop too prominent a local role in relation to the Colombo Plan in which we feel our special identity should be obscured'.<sup>60</sup> Projecting Australia's identity into the region had become a defining feature of the Colombo Plan and was already having important consequences for the political and economic goals the scheme was intended to fulfil. This was

also the case in Indo-China. Following the visit of Jean Letourneau, the French Minister in charge of relations with Indo-China, in March 1953, the Menzies Government reassessed its position on assistance to the associated states, offering over £A1.5 million in capital and technical assistance.<sup>61</sup> John Rowland, Chargé d’Affaires in Saigon, suggested that Australia was in a prime position to take advantage of increasing tension between US and French authorities by showing a real ‘interest in the future of the three countries’. Local discontent towards the French and the US presence also heightened the potential political mileage which might be obtained from a speedy supply of assistance. For these reasons, Rowland felt that Australia’s Colombo Plan contributions, ‘relatively small though they may be, have a political importance that they possess nowhere else’.<sup>62</sup>

In the years after the Second World War, the economic, political, and psychological vacuum left by decolonisation concerned policy-makers across the Commonwealth. Australian politicians and bureaucrats hoped that Colombo Plan aid would help to transfer not only the practical tools for material progress, but also the moral, cultural and spiritual virtues necessary to transform Asia into an economically self-sustaining, non-communist region. The Colombo Plan rationale — that economic progress would act as an ideological bulwark against communism — was nurtured by intertwined ideas. Fear about Australia’s future in the Asian region combined with a seductively simple understanding of economic advancement to produce the Colombo Plan’s *raison d’être*. Yet the rigidity of realist, Cold War ideology precluded other interpretations. The desire to develop Asia along non-communist lines through the application of Western ideas and technology, and the tendency to see aid as an

oblique instrument of economic and cultural control, reinforced Australian preconceptions about the region: Asia was poor, weak, malleable — always at risk of quick conversion by communists or capitalists.

What was already apparent was that the Colombo Plan was going to have a greater impact on Australian perceptions of the region than on the economic advancement of member states. Casey's attention to public relations and personal diplomacy would be a defining mark of his tenure as foreign minister. It marked a critical shift away from using aid to catapult the ailing economies of Asia (although he continued to speak publicly of the catalytic potential of Australia's contributions) and it would soon take the Colombo Plan into areas not considered at the program's inception. The distinction between prosecuting a war against communist insurgency and building Australia's economic, cultural and diplomatic links through foreign aid was to become increasingly blurred.

### **A 'new deal' for Japan**

Early in 1950, Colonel William Hodgson, head of the Australian mission in Tokyo, wrote to Percy Spender to explain the political and commercial benefits that would accrue should Asia spend its foreign aid on capital goods from industrialised nations such as Japan. He claimed that not only would this foster a more dynamic regional economy, the creation of Japan as a South–East Asian trading hub would then help the United States gradually relinquish its role as regional financier. Japan's 'progress towards self-sufficiency would be assisted and the need for American aid funds reduced, while the Asian countries concerned would be provided with the means to obtain, mostly from Japan, supplies needed in developmental and rehabilitation projects'.<sup>63</sup> Hodgson was not proposing that Japan join the embryonic Colombo Plan. Nor did he

identify a clear role for Australia, possibly because the mere suggestion of Japanese commercial expansion would arouse anxiety. But he did say that Australia would have to chart a careful diplomatic course because preventing Japan from 'playing an essential part in world recovery, would not only be damaging from an international point of view but also would arouse the hostility of both America and Japan'.<sup>64</sup>

By 1950, the Truman administration had determined that the regional integration of a highly-developed Japanese economy remained essential to ensure progress and stability across Asia. American objectives for Japan shifted from reform to reconstruction, with the long-term goal of preventing Soviet control of industrial and military activity in the region.<sup>65</sup> Secretary of State, Dean Acheson, told the British in December 1949: if 'Japan [were to be] added to the Communist Bloc, the Soviets would acquire skilled manpower and industrial potential capable of significantly altering the balance of world power'.<sup>66</sup> The key to this policy of containment lay in the economic links between Japan and the Asian hinterland. The National Security Council decided that Japan would only be able to maintain present living standards if it could 'secure a greater proportion of its needed food and raw material (principally cotton) imports from the Asiatic area, in which its natural markets lie' and expand intra-regional trade.<sup>67</sup>

Japan was willing to oblige. Fearful of further alienating the region, Japan's Prime Minister, Shigeru Yoshida, resolved to pursue a policy of 'economic diplomacy', structured around strengthening export and trade links with South-East Asia, the provision of technical and capital assistance, and membership of international associations such as ECAFE and the Colombo Plan.<sup>68</sup>

Not until the Colombo Plan had achieved some stability did Australia begin to contemplate Japan's admission. Australia had offered tentative support for Japan's

gradual return to the international economic community via membership of the UN, the International Monetary Fund (IMF), and the International Bank of Reconstruction and Development (IBRD), but inviting a former enemy into the congenial Colombo Plan fraternity was likely to be more problematic. In March 1952, senior officials at the DEA swapped ideas on the issue. Joining the program, they suggested, would be a means of 'binding Japan to the democratic camp', and offer some protection against communist states. As Casey explained publicly, the major threat to Australia's regional security came from communist expansion, not Japanese aggression. 'The immediate problem we have to consider is the security of Japan, even more than security against Japan'.<sup>69</sup> Japan's resurgence as an economic leader also reflected the nationalist aspirations of many other nations in the area; Asian governments might even demand compensation should Australia deny them easy access to the aid Japan was so eager to give.<sup>70</sup> Importantly, some in the Department of External Affairs (DEA) felt that conceding Japan's entry into the fold represented an ideal opportunity to impress the Americans, for any effort Australia took which made the integration of the Japanese economy easier would 'have US blessing'.<sup>71</sup>

The legacy of the Pacific War deeply affected Japan's relations with the region. For Australia, there were sensitive economic and political matters, including Japanese rearmament, pearl fishing in Australian waters, compensation for former prisoners of war, the trial of Japanese war criminals, Japanese war dead in Australian territory, and Japan's potential inclusion in SEATO and the General Agreement on Tariffs and Trade (GATT).<sup>72</sup> (GATT was a series of multilateral trade agreements aimed at the abolition of quotas and the reduction of tariff duties). But boosting Japan's economic power in the name of

regional stability and progress was difficult for many to understand. To the generation with close and sharp memories of Kokoda, Changi and Sandakan, it seemed an absurd irony. Both Britain and Australia were wary of the potential danger of Colombo Plan finance facilitating the commercial and political exploitation of smaller South–East Asian nations. Sir Gerald Templer, from the British High Commission in Malaya, told the Foreign Office that there was a ‘clear danger of this being [a] cover for economic penetration, particularly in [the] field of fisheries and mining [with] which we were familiar before the war. We hope, therefore, that [the] matter [of Japanese admission] will neither be raised nor pressed’.<sup>73</sup> DEA officials worried that if Australian aid found its way to Japan, ‘however devious the route’, the public hostility towards Japan might spill over and damage the standing of the Colombo Plan program itself. Whatever the concern, the issue seemed ‘likely to remain “hot” for some time’.<sup>74</sup>

Yet it was always going to be difficult for Australia or Britain to use fear of political domination as a public reason to deny Japan access to the Colombo Plan. For to suggest that Japan could use their member status to dominate smaller South–East Asian economies might imply that current donor countries could do the same. So instead of the real reason, the DEA cited Japan’s balance of payment problems and its inability to provide adequate assistance to recipient nations as the principal reason for recommending that Australia not admit Japan. The DEA assumed, however, ‘that the real opposition lies in [the] doubts of Australian people’. The immediate and convenient solution for Australia, New Zealand, and the United Kingdom was to do nothing, but this did not rule out the possibility of a change of heart. Rather the DEA thought the move “premature” rather than inconceivable’.<sup>75</sup>

American officials worried about Australia's capacity to tolerate a more intimate association with Japan. The State Department noted that because Australia had a positive influence on other Western powers, 'every effort should be made to prepare the ground through diplomatic channels before [attempting] new measures which might be misunderstood'.<sup>76</sup> The Americans, however, were impatient and appeared intent on denying the British Commonwealth the luxury of slowly coming to terms with the issue of Japan's full return to the international community.

All the while endeavouring to 'avoid the appearance of aggressive sponsorship', the US embassy in Tokyo asked British officials about the possibility of Japan's attending the 1952 meeting of the Consultative Committee in Karachi as an observer.<sup>77</sup> On hearing of the discussions, Alan Watt, Secretary of the DEA, immediately informed the United Kingdom that Australia was not keen about any motion to admit Japan to Consultative Committee proceedings.<sup>78</sup> A cable from Canberra explained that although the DEA was aware that Japanese admission would most likely have a positive economic impact for Colombo Plan countries, 'formal participation of Japan would naturally have important political implications and [the] Australian Government is unlikely to agree in the near future'.<sup>79</sup> When the United Kingdom reported to the United States that Australia and most of the other committee members were 'implacably opposed' to the suggestion, the Americans dropped the issue in deference to such widespread and deeply felt opposition.<sup>80</sup>

Eighteen months later, the question of Japanese membership stalled once more, this time, a result of Japanese fishing activity in the Arafura Sea. The Japanese Peace Treaty stipulated that the Japanese government negotiate with Australia to ensure the conservation of

oyster beds located in Australian waters. In August 1953, while negotiations were in progress, Japanese pearlers recommenced fishing, reputedly taking over 1,000 tons of shell (compared to the Australian harvest of 170 tons).<sup>81</sup> Moreover, some of this activity was taking place off the coast of Darwin. With memories of the attacks on Darwin and Sydney still alive, the presence of Japanese so close to home unsettled many Australians. Negotiations between Japan and Australia broke off. Haruhiko Nishi, the Japanese Ambassador in Canberra, met with Watt in late 1953 and told him that Japan could not conform to Australia's demand that it restrict pearl-fishing activities in Australian waters. Nishi then immediately questioned Watt on Japan's potential admission to the Colombo Plan. Watt's reply was curt, 'indicating that this was hardly a propitious time to raise this second question'.<sup>82</sup> The Australian government formally asked Japan to recognise the validity of Australian restrictions on activity on the Indonesian continental shelf — before it would consider their application to join the Consultative Committee. This distraction annoyed US officials, who asked their representatives why the Australian Government would 'interject apparently extraneous issues into what US considers a desirable objective'.<sup>83</sup> Assistant Secretary, James Plimsoll, explained to Arthur Emmons, First Secretary of the US embassy in Canberra, that Australia would not bargain with Japan over territorial matters: 'The question of the Colombo Plan and of pearling were linked only in one way: that the fishing dispute had not made the atmosphere a suitable one for raising the question of further concessions to Japan'.<sup>84</sup> Plimsoll also took the opportunity to remind Emmons of the devastation brought upon Darwin during the Second World War and the considerable level of hostility still felt towards the Japanese.

Anxious predictions about Japan's political and economic future continued to dominated parliamentary debates and stymied any chance of Australian support for their membership in the Consultative Committee. Australian representatives in Washington remained unconvinced by American assurances. A State Department official had explained that it would be 'easier to influence Japan against undue commercial exploitation in the area if she were associated with the rest of us in the plan'. The cable concluded, however, that 'American thinking on the economic side is rather woolly'.<sup>85</sup> Where Australia did agree with American assessments was over the capacity of the Colombo Plan to dissipate anti-Japanese feeling in South and South-East Asia, stimulate intra-regional trade, and encourage other Asian countries to export primary commodities to Japan.<sup>86</sup>

In the early 1950s, Japan was Australia's second largest buyer of wool. However, Australia was increasingly vulnerable to the vicissitudes of the Japanese economy, the stabilising of which was of paramount importance if the market for Australian exports was to be maintained. This was crucial if Australia was to maintain its export potential. Another problem was to redress the gross trade imbalance between Australia and Japan. In 1952/53, Japan purchased around £A84 million worth of goods (mainly wool), whereas Australia purchased just £A5 million worth of Japanese goods. The imbalance was set to increase into the decade.<sup>87</sup> With the war in Korea nearing an end, Japan was so short of sterling that 'adequate allocations cannot be made even for the purchase of Australian wool. Sterling aid to Japan therefore now seems more necessary than Japanese aid to the sterling area'.<sup>88</sup>

The very idea of aid finding its way to a former enemy caused some concern. When the Japanese press

began enthusiastically reporting that the Australian government was seriously considering widening the scope of the Colombo Plan to include them, an Australian representative in Rangoon refused to believe such audacious claims. 'I feel sure that this is a cunning ruse originating from some interested Japanese quarters', the embassy reported to Canberra:

*It would amount to sheer madness. A country need not for all time entertain ill feelings against her former ruthless enemy, but it would be sheer folly to go out of her way and give substantial help in rebuilding industries ... History will be meaningless if a country does not learn by the happenings in the past and model her actions by past events and experiences.<sup>89</sup>*

Apparently, the author had mistakenly assumed that Japan would be a recipient of aid, not a donor. The embassy's obvious surprise also suggests the degree to which Casey and the DEA kept the detail of their thoughts private.

Casey, however, sensed the potential for a new era of regional engagement. The Japanese search for prestige was a relatively transparent strategy — one that handed Casey a powerful diplomatic tool. As he explained to Tange, 'Japan's wish to get into the Colombo Plan may be a rather heaven-sent opportunity on which we might base our "new deal" towards Japan'.<sup>90</sup> He recorded in his diary that he would endeavour to 'make as much of this' search for acceptance as he could.<sup>91</sup> The integration of Japan via the goodwill of the Colombo Plan emerged as a politically palatable alternative to direct financial assistance. By helping Japan's earning potential in Asia, the government hoped that the balance of payments deficit would ease and allow a more stable trading partnership with Australia. The

prospects were good for Australian exports.<sup>92</sup> Over the decade, the demand for wool in Japan increased rapidly, with consumption per head rising from 0.2 kg in 1950 to 1.1 kg in 1960, at which time Japan replaced the United States as Australia's largest wool market. The major obstacle to a more equitable balance of trade was Japan's negative image and the reluctance of Australian consumers to buy Japanese goods. To remedy this and to prepare the ground for economic concessions, Menzies took to the air waves to explain Australia's complex economic predicament. A transfer of the prestige associated with the Colombo Plan to the Japanese was another important factor the government thought would help the sale of Japanese imports in Australia.

Cabinet's decision to admit Japan to the Colombo Plan coincided with the general adoption of a more liberal attitude toward Japan. Although Cabinet approached the liberalisation of Australian relations with Japan 'reluctantly', the meeting did identify sound commercial and political advantages — apart from keeping Japan away from the embrace of China. Assisting Japanese economic integration with South-East Asia would increase Japanese earnings and enable her to buy more Australian wool. The committee was even prepared to accept the loss of Australian exports (such as tractors and diesel locomotives) when Japanese industry became more efficient. Any disadvantages were 'far outweighed by the necessity of ensuring that Japan was a strong bidder for [Australian] wool' and the 'psychological effect' of 'influencing them towards association with Western Powers'.<sup>93</sup> And any disadvantages likely to arise from Japanese penetration of Asian commercial markets were subordinated to strategic objectives. On 27 August 1954, Cabinet agreed to support Japanese membership in the Colombo Plan, on condition

that it received support from a majority of member nations, including the United Kingdom and the United States.

Unaware of the Cabinet decision, the US State Department continued to place pressure on Australia, implying that if Australia made concessions to Japan they could expect reciprocal concession, not only in Japanese tariffs, but in US tariffs as well. The timing of this request suggests that the 'concessions' the United States expected from Australia included Japan's full admission to the Colombo Plan. The DEA proceeded cautiously, aware of the strange nature of the proposal: 'The unusual character of the American proposal is appreciated but we are not at this stage in a position to indicate whether or not the Government can take it up'.<sup>94</sup> The cable instructed Washington staff to seek US views on a possible reduction in the duty on wool as the basis of future negotiations.

Although the offer turned out to be an empty distraction, sometime in late August 1954, the DEA, presumably with Casey's approval, resolved to take a much more active role at the Consultative Committee meeting to be held in Ottawa in October. On 27 August, the DEA sent a telegram to relevant posts announcing the decision to support Japan's admission as a donor to the Colombo Plan. Much to the surprise of New Zealand, Canada, and the United Kingdom, the DEA even offered to sponsor Japan's application.<sup>95</sup> Unaware of the US promise to Canberra, New Zealand's Minister for External Affairs, Clifton Webb, greeted Australia's sudden change of heart with suspicion. Remaining steadfastly opposed to the admission of Japan, officials in Wellington regarded the amount of pressure brought to bear by the Americans as excessive.<sup>96</sup> On 8 September 1954, Webb conveyed his misgivings about Australia's diplomatic manoeuvring to his Washington ambassador: 'The Australians, who originally opposed

Japanese admission more strongly than we did, have now turned about-face and want to make a “dramatic gesture” by sponsoring Japan themselves, in the hope that this will secure some goodwill. Is this not “rather woolly”?<sup>97</sup> Nevertheless, the major Western allies and Asian Colombo Plan nations had agreed on their stance toward Japan. Facing further isolation, New Zealand capitulated and agreed to vote in favour of admission.<sup>98</sup>

What had led to Australia’s change of heart? Was it the promise of more attractive trade arrangements? Was it the desire to impress the United States and the Japanese? Or was it an attempt to garner greater support for the Colombo Plan and Australia’s regional reputation? Superficially, it looked as though Australia had only succumbed to US pressure when offered a means to offset any losses incurred through the displacement of local produce by cheap Japanese goods. However, it is unlikely that the US offer of further GATT concessions was more than a minor factor in the decision to take a more active role. At most, the promise of GATT concessions from the State Department simply stiffened the resolve of Australian officials. By August 1954, Australia had already determined that it was as much in Australia’s interest as it was in the United States’ to admit Japan. Sponsoring Japan, as opposed to merely allowing her admission, was a relatively painless way to maximise the seemingly magnanimous nature of Australia’s decision. Sponsorship also restored the goodwill lost as a result of the protracted negotiations.

The Japanese embassy in Canberra suspected American involvement and asked the DEA directly whether Australia was acting at the behest of the United States. Counsellor Masayoshi Kakitsubo came dangerously close to the mark when he said that the United States was trying diligently to have Japan admitted to GATT and had

pressured Australia to have Japan as a Colombo Plan donor. Naturally, his suggestion was 'firmly rejected', the DEA informing him that the initiative had been undertaken independently — in the interest of Japanese relations with Australia and the Colombo Plan region.<sup>99</sup> Curiously enough, after Australia's decision to sponsor Japan, Under-secretary of State General Walter Bedell Smith expressed 'his gratification at Australia's decision and agreed that nothing should be read in any way which would suggest that [its] decision had not been completely on [its] own initiative'.<sup>100</sup>

Casey withheld the decision from parliament. Fearful of a premature announcement and hoping to achieve maximum publicity at the official meeting in Ottawa, Casey claimed only to have heard a 'tentative proposal' that another country was being invited to join the program.<sup>101</sup> The DEA had asked some journalists who had learned of Australia's plans not to announce anything before the Consultative Committee agenda had been set. On 22 September 1954, Menzies, replying to a Question on Notice, gently announced the decision to support Japan's admission to the Colombo Plan. There was no debate, just as the government desired.<sup>102</sup>

Canberra also went to considerable effort to ensure that the formal admission procedure held during the Ottawa meeting went as smoothly as possible.<sup>103</sup> The DEA guided Japan through the application procedure, thus ensuring that India did not take credit (as she was appearing to do) for officially proposing Japanese membership. Now actively encouraging Japan's economic resurgence, the DEA's Assistant Secretary to the United Nations Division, Patrick Shaw, encouraged Japan to apply for full membership of the Consultative Committee (as opposed the more limited membership of Technical

Council) because it 'gave Japan access to the economic planning of a number of countries in which Japan presumably was interested from a commercial point of view'.<sup>104</sup> In the event, Japan received full membership, but confined its initial contributions to just \$US40,000 in technical aid.<sup>105</sup>

Two days after Japan's admission, Nishi met with Tange and Shaw in order to thank the Australian government formally. The First Secretary of the Japanese embassy, Y. Yamamoto, visited the DEA later that evening offering more appreciation for achieving a 'milestone in Japanese–Australian relations'. In keeping with the transparent and deferential nature of Japanese diplomacy of the time, Yamamoto then announced that he looked forward to the next milestone — 'the abolition of discrimination in import licensing against Japanese goods'.<sup>106</sup> Indeed, that milestone, embodied in the 1957 Australia–Japan Agreement on Commerce and Trade, was still a few years away.

Cabinet had based its decision to admit Japan to the Colombo Plan on interrelated economic, political, and strategic issues. As a raw material supplier and importer of industrial products, Australia was part of the South–East Asian resource hinterland that Western strategists considered fundamentally important for regional stability and prosperity. Against this background, the Truman Administration's support for a \$US250 million loan through the IBRD in August 1950 was a tangible expression of the US desire to see Australia develop as a key feeder nation supporting Japanese capitalist expansion.<sup>107</sup> However, the Colombo Plan served as an important political and diplomatic tool that allowed the Menzies Government to manoeuvre itself into a stronger position. Once more, the congenial alliance suggested by universal support for Japanese inclusion in the Colombo Plan belied the complex

interplay between anti-communist containment and the Anglo–American approach to economic regionalism.

For those concerned to extend the Colombo Plan's reputation as a unifying symbol of resolve against the communist bloc, Japan's admission came just in time. For the following year, the Soviet Union launched its own foreign aid program for the developing nations of Asia, a program which placed renewed pressure on the Colombo Plan.

### **A red Colombo Plan for Asia**

The Western world received scant warning about Soviet intentions to create an aid program for Asia. During the early 1950s, Australian representatives abroad detected few signs of a communist alternative to Western development initiatives, merely an increasing number of pronouncements about the necessity of the underdeveloped world to embrace the socialist model. Then, in 1955, the Soviet Union burst onto the foreign aid arena. At a cost of over \$US200 million, the Soviets announced a commitment to build the Bhilai steel plant in India, intended as a global demonstration of communist planning, technological capacity, and concern for oppressed people. With much fanfare, the Soviet Union took over the ambitious Aswan high dam project in 1956 when the United States withdrew in retaliation for Egypt's recognition of China and its weapons deal with Czechoslovakia. The blustering and ebullient leader of the Soviet Union, Nikita Khrushchev, would not officially challenge capitalist leaders to a peaceful competition in the underdeveloped world until 1957, but the Soviet 'economic offensive', as the White House called it, had already begun.<sup>108</sup>

Australia's role in the ensuing battle would be an auxiliary one, but it was equally alarming. 'ASIA GETS A RED COLOMBO PLAN' ran the headline in the

Melbourne *Herald* for a story by English foreign affairs analyst Barbara Ward. She cautioned Western powers not to be complacent about their own aid programs because Russia was making a start on a Colombo Plan of its own. Russian training programs seemed to be 'going forward more ambitiously' and might soon outnumber those offered by Australia and her allies. She spurred the West to act, for 'upon the horizons of Asia may be the portent of vast political upheavals still to come'.<sup>109</sup> Ward's observations proved prescient. With the launch of Sputnik — a striking symbol of modern scientific progress — and a burgeoning industrial capacity, the Soviets demonstrated an apparent technological and economic superiority over the West. The communist model of economic planning, not to mention the generous conditions of Russian foreign aid, appeared increasingly attractive to Asians looking for a means to embrace the modern age.

Western aid provided to Asia under the Colombo Plan and multilateral aid programs dwarfed Soviet finance. But a number of important features distinguished the communist program and jolted the confidence of Western policy-makers. Focusing on major 'prestige' projects in fewer countries, the Soviet Union deliberately provided low-interest loans instead of outright gifts; the latter option was considered condescending and demeaning. Significantly, they also accepted repayments in local currencies or in exports, a feature especially attractive to countries with balance-of-payment problems. According to Western perceptions, the Soviet Union was unfettered by democratic procedure and could bring its highly centralised industries more quickly to bear on Asia's economic needs. Many also believed that the supposed absence of a profit motive in the communist economy might allow the Soviets to eliminate competitors and to dominate Asian markets

with consummate ease. The combination of these features, warned the US Director of International Cooperation Administration, J.R. Smith, meant that the communists were 'much better equipped than we are to wage economic warfare'.<sup>110</sup>

The propaganda deployed by the Soviets was no different from the methods and language adopted by the Western sponsors of the Colombo Plan. Communist aid emphasised impact projects that would not only assist the region's economic advancement, but also generate maximum publicity. Writing in Moscow's *Journal of International Affairs*, Viktor Rymalov celebrated the Soviet Union's 'unselfish' supply of 'material and cultural assistance to backward and oppressed peoples'. And he criticised the Colombo Plan's emphasis on agricultural production as a trick to restrict Asia's role to that of a plantation economy, capable of suppling much needed primary commodities. The Soviet program, on the other hand, funded both industrial and agricultural expansion.<sup>111</sup> Of course, the reality was that, as with the United States, post-war reconstruction left the Soviets with an oversupply of capital goods and a need for new markets in exchange for Asia's raw materials.

Always critical to Western geo-strategic assessments of Asia, the avowedly neutralist Indian government seemed particularly open to the blandishments of both socialists and capitalists. Seemingly paralysed by the audacity of the Soviet program, Australia's High Commissioner in New Delhi, Peter Heydon, believed that the Indian government felt politically obliged to balance its receipt of Western aid with Russian assistance. While he thought it unlikely that India would be 'swept off her feet [or] ... allow herself to be inextricably entangled in any Russian economic web', he worried about the added allure of the 'exceptionally quick'

delivery of high quality goods, the competitive prices, and the acceptance of local currency. Heydon's recommendations were a mixture of resignation and resolve. 'It is difficult to point any way for Australia', he said:

*We are given some credit for the Colombo Plan, but late deliveries result in some loss. We cannot attempt to match volume with the USSR or the USA, but we could perhaps improve our performance. Speedier delivery of equipment if possible would help, but selection of an individual project for assistance, as an Australian project, would be immeasurably better if limitations on Colombo Plan aid could be relaxed.*<sup>112</sup>

The arrival of Soviet aid forced Australia to engage with countries hitherto ignored. In Burma, wrote Lewis Border, Australia's Ambassador in Rangoon, 'we have little trade and we have little in common in other directions' and without the Colombo Plan Burma would be cut off from the Western world. It was therefore necessary for Australia to balance communist aid and not leave Burma vulnerable to an 'influx of technicians, experts, cultural groups, etc. from the communist countries and to a campaign of penetration and subversion'. He believed the buses already donated by Australia served as a 'positive reminder that the government does not have to turn to the communist countries for its aid'. Equally, communist aid helped expose the flaws and fallacies that had grown up around the provision of aid as a political and cultural antidote. Francis Stuart, Australian Minister to Cambodia between 1957 and 1959, oversaw the implementation of many Colombo Plan projects, including a municipal vehicle and machinery workshop in Phnom Penh.<sup>113</sup> However, the machines and vehicles fixed by Australian technicians had in fact been

donated by the communists! So much for the idea that foreign assistance would transmit democratic values and endear Asians to Western designs for regional development, simply by virtue of its geographic origin.

Nevertheless, American military and non-military aid (including the supply of surplus agricultural produce) increased conspicuously from 1955 on, despite public claims that the United States would not attempt to counter Soviet aid.<sup>114</sup> Of course, the Soviet economic offensive was not the only reason the United States re-examined its aid programs, but most members of Congress considered the region too important, and too unstable, to stand back and let the Soviets move in unopposed. One member of Congress metaphorically thumped the lectern: 'The Soviet strategy has been changing again, and so must ours ... We cannot be guilty of "too little too late", for the fate of humanity is at stake'.<sup>115</sup> In this climate, the Americans were not about to abandon the Colombo Plan, its Commonwealth taint now a distinct advantage. Although senior US bureaucrats maintained their reservations about the loose nature of the Consultative Committee and the fact that 'little if any pressure is exerted upon [recipient countries] regarding the management of their economic affairs', the 'family link' between Commonwealth nations was to be savoured. Extolling the Colombo Plan's virtues, J.H. Smith Jr. told the Under Secretary for Economic Affairs:

*Among the interesting features of the Colombo Plan are that it excludes the Soviet bloc countries, antedates the Sino-Soviet economic offensive, and is regarded by the Asians as their own organisation. The Russians cannot attack it as they attacked SEATO [South East Asia Treaty Organisation] and the Asians are not likely to leave it.*

An American attempt to rework the Consultative Committee into a more coercive, multilateral agency — led by Harold Stassen, Director of the Mutual Security Agency — collapsed when it failed to garner Congressional or widespread Asian support. The failure turned out to be a blessing. Although the Americans continued to explore ways they could strengthen the regional integration of Colombo Plan nations without challenging the bilateral framework, it was in fact better, Smith said, for Asian countries to work through an ‘admirable institution such as the Colombo Plan’ rather than to adhere to a rigid multilateral agency closely identified with the United States. The highly regarded program prompted Smith to suggest that his country should do more to associate its aid programs with the Colombo Plan name.<sup>116</sup>

Beyond these limitations, the Colombo Plan administrative framework proved a resilient and flexible structure for negotiating foreign-assistance programs. The Consultative Committee framework was a product of the economic nationalism that pervaded post-colonial Asia. This structure, and the strict adherence to bilateralism, also went some way to preserving the economic and political autonomy of Asian nations. That bilateral negotiations partly contradicted the regionalism the Colombo Plan designers hoped to foster mattered less than the achievement of bringing disparate governments together to discuss common problems. In 1960, international affairs expert Creighton Burns identified the diversity and complexity falling under the Consultative Committee rubric:

*It links countries already bound by military alliances to either Britain or the United States with those which have maintained an uncommitted stand in foreign policy. It is politically eclectic,*

*combining traditional Western liberal democracies and their Asian models with military dictatorships and left-wing experiments in collective leadership. Of the current ideologies, Communism alone is unrepresented. The economies of the Colombo Plan countries shade the spectrum from semi-feudal through qualified free enterprise to those with a high degree of central control.*<sup>117</sup>

Paradoxically, the politically benign nature of the Colombo Plan Consultative Committee ensured its survival in a fractious international climate. Positive, if superficial, dialogue between Asia and the West was maintained precisely because it avoided overtly political language and strategy. Indeed, this non-political forum did not stop Western governments from privately — and sometimes secretly — attempting to incorporate political and military strategy within aid programs. The triumph of bilateralism and the willingness of the Soviet Union to embark on a foreign economic program ensured the legitimacy of political neutralism. The fact that recipient governments could also draw from a Soviet source gave them bargaining power and protected their political autonomy. Economist John P. Lewis succinctly explained the situation concerning India. The Indian people, he wrote, ‘do not want to be thrown into the same statistical bin with two or three dozen other countries’:

*they fear the inappropriate egalitarianism that international politics injects into the parceling out of funds under multilateral operations. The Indian Government ... wants to keep its foreign aid bargaining dispersed ... Not only may the present arrangement occasionally allow India to play off one benefactor against another; it maximises the*

*autonomy of Indian developmental planning. And the latter is something that a government of the independence and stature of the Indian is no readier to surrender to the World Bank or the United Nations than it is to the United States or the Soviet Union.*<sup>118</sup>

The continuation of the Colombo Plan's original bilateral architecture helped maintain the nation-state bilateral dialogue and that, in turn, helped to sustain the combative, bipolar nature of global relations. In the absence of an overarching regional organisation dedicated to economic development, the 'bidding war' became an entrenched component of Cold War politics. For the next forty years, the two power blocs vied for influence and recognition in Asia.<sup>119</sup> It is, of course, debatable whether a multilateral, regionally-integrated program (supported by a substantive increase in US funds) would have had a greater impact on the economic development of Asian countries. The inexorable force of international commodity markets and tariff manipulations was infinitely more damaging to Asia's economic progress. More important for the Australian government was the prospect that a multilateral agency would absorb Australian contributions and leave no trace of their origins. Thus, by maintaining the Colombo Plan's bilateral framework, Australia's role as contributor to and creator of a major Asian aid forum was preserved, if not enhanced. It also ensured that Australian efforts to generate maximum dividends from its nascent links to the region would continue unabated.

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