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## International Affairs Bulletin

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**Contents**

<b>Smuts House Notes</b> John Barratt	<i>page 2</i>
<b>The Global Community at the Crossroads</b> Otto Lambsdorff	<i>page 6</i>
<b>Political and Strategic Aspects of the Present World Order</b> Joseph Luns	<i>page 20</i>
<b>World Order: Arms and Alms</b> T.B. Millar	<i>page 32</i>
<b>Nigeria 1984: The Return of the Military</b> Robin Hallett	<i>page 55</i>
<b>Books Received for Review</b>	<i>page 67</i>

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# Smuts House Notes

## Some Lessons of the Jubilee Year

The Golden Jubilee Year of the South African Institute of International Affairs is now almost over. It has been a very fruitful year for the Institute, and various special events in different parts of the country have drawn more attention to the Institute and its work than ever before.

The Jubilee programme included three important conferences, all with impressive international participation: the first at Hilton in Natal on "South Africa and its Neighbours"; the second in Cape Town (where the Institute was founded in 1934) on "Regional Co-operation: The Record and Outlook", at which 28 similar institutions from other countries were represented; and the third in Sandton, Transvaal, on "Economic Interdependence and World Order". The latter conference was preceded by a Banquet addressed by Prime Minister P. W. Botha. Papers presented at all these conferences are being published by the Institute, so that they can reach a wider audience.

Another highlight of the year was the impressive and moving occasion in Pretoria in May, when Sir Laurens van der Post delivered the first Smuts Memorial Lecture. The great success of that occasion has led the Institute to establish the Smuts Memorial Lecture as a regular event, probably biennial in the future, at which distinguished personalities will have an opportunity of speaking in South Africa on important international topics.

Among other special Jubilee meetings in various centres was one at Jan Smuts House, Johannesburg, in July, when our National Chairman, Mr Harry Oppenheimer, spoke on the future role of the Institute in the context of South Africa's international relations. In Durban and Cape Town Dr Joseph Luns, former NATO Secretary General, addressed Institute dinners, following his participation as a keynote speaker in the Sandton Conference in early September.

Especially noteworthy among the many publications of the Institute during 1984 has been the book by Deon Geldenhuys on "The Diplomacy of Isolation: South African Foreign Policy Making", which was the product of a research project sponsored by the Institute over the past few years. Also of special interest has been the publication of Leslie Bostock's review of the origins and history of the Institute, and the very recent publication of Murray

Forsyth's Paper on Federalism, as applied to South Africa, which is the second Paper in the annual Bradlow Series.

Having mentioned briefly some of the highlights of the Jubilee Year, one must ask what we have learnt about the Institute at this milestone in its history. A number of very positive factors emerge, which should be encouraging to all those associated with the Institute. It clearly has an established and recognised role in South African society, as evidenced by the attention paid to it in all sections of the media during this year. As a result it is receiving increasing support from the corporate sector, which is based—according to the many comments of corporate representatives—on a recognition of both the importance of its role for the country as a whole and the value of the Institute's services to the corporate members themselves. In addition, the Institute has developed a positive reputation in many countries overseas, among those concerned with Southern Africa, as reflected in the attendance at the Jubilee Conference in Cape Town in March. It is also reflected in the number of foreign visitors from business, policy-making, academic and media circles, who regularly visit Jan Smuts House for discussions. This reputation is built not only on the standard of the Institute's work, but also on the very important factor of its complete independence and impartiality.

A great asset, which has been demonstrated during this year, is the contribution to the Institute's development of our National Officers and Councillors, Branch Chairmen and local Committee members. From our National Chairman to the members of the local Committees, their involvement has been more clearly seen during this special year, but in fact their commitment and service to the Institute has been the *sine qua non* for its very existence and development over the past fifty years. In its first ten years the Institute had no staff at all and depended entirely upon the goodwill and time devoted by those elected to run its affairs. Gradually it became possible to build up a small professional staff, as financial support increased, but the role of the elected office bearers is still crucial to the efficient and productive operation of the Institute and its Branches.

The professionalism of the staff at all levels was well illustrated during the past year in the standard of publications, reports, briefings for members, articles and comments in the media, etc., as well as the organisation and presentation of conferences and other meetings. This professionalism and dedication of the members of the small permanent staff has now become an essential feature of the organisation, on which further growth depends.

However, while these and other factors give reason for a positive view of the Institute's achievements and prospects, it has to be said that there are also still important needs to be met and gaps to be filled in its work. In particular, there is room for further development of the research programme, which must be seen as the heart of our work, and more effective co-ordination of

research with the publications programme. For instance, the scope of both research and the publications needs to be broadened, so that more attention in future can be focussed on issues and areas largely neglected in South Africa. In this regard, one thinks immediately of the rest of Africa, beyond our own sub-continent; the countries of South America; developments in Asia, especially in the important Pacific Basin region; Soviet foreign policy (not only in Southern Africa), on which so little serious study is done in South Africa, and so on.

Special attention will be given in 1985 to the planning of an effective research and publications programme for the years ahead. In doing this, the Institute will, of course, always have to be guided by the needs of its members. At the same time, we have become conscious of the importance of orienting more of our work in the future towards the concerns of policy-makers, both in the public and private sectors, so that the Institute can, even more than in the past, provide some input into the planning of policy in its field of international relations, political and economic.

In terms of our Constitution, research is one side of the coin of the Institute's objectives; the other side is its public educational role. This is carried out largely through its eleven Branches which organise many lectures and other meetings throughout the country every year, as well as through its publications and contributions by staff members to the media and to meetings of other organisations. This Branch system, which has grown substantially during the past decade and a half, is a very valuable basis for our work. But it is clear that more needs to be done to enable all the Branches, especially those in smaller centres, to operate more effectively and to develop more attractive programmes of activities. Branches also need to pay more attention to the spread of their membership, so as to become more fully representative of all sectors of South African society.

A particular challenge for the immediate future relates to the Institute's Library at Jan Smuts House. While this has, with the close co-operation and assistance of the University of the Witwatersrand, become a very important and most useful Library—the only one in South Africa specialising in international relations—serious financial problems have to be faced, if the Library is to be maintained and further developed as a comprehensive and up-to-date resource base and reference centre.

Funding is, of course, a continuing matter of concern for the Institute in all aspects of its organisation and activities. The Institute is not endowed and, as is well known, it receives no grants from governments, universities, or research foundations. For its annual income it is dependent entirely on the subscriptions of its members. It must, therefore, always be able to justify its existence to them, and it can only do this if it continues to ensure that its work is meaningful and applicable, and that its resources, human and material, are efficiently used.

As our Deputy National Chairman, Gideon Roos, has indicated on occasions during the past year, the Golden Jubilee has provided an opportunity to recognise and celebrate the Institute's achievements, but it has also been a time of stock-taking and hard thinking about where improvements are needed for further fruitful development in our second half-century.

John Barratt

The following three articles are the texts of papers delivered at the  
SAIA's Third International Conference on

**ECONOMIC INTERDEPENDENCE  
AND WORLD ORDER**

held at Sandton, Transvaal  
on 5 and 6 September 1984

Otto Lambsdorff

**The global community at the crossroads**

The present upswing in the global economy began at the turn of the years 1982/1983. The recovery has thus far continued to make uninterrupted progress. Demand and output, particularly in the countries of the industrial West, have developed more favourably than many observers had thought possible.

The upturn has also had a visible effect on the developing nations, which have especially suffered from the worldwide economic crisis. Growing demand for their products by the industrial countries and to some extent the temporary increase in prices for a number of commodities have helped boost their earnings from exports. But this has failed to produce a decisive change in the tense situation facing the highly indebted developing nations. The rising trend of American interest rates has acted as a particularly stubborn barrier in this case.

The American economy has revealed itself as unusually strong and robust despite the high interest rates. In the first and second quarters of this year, America's GNP expanded by a real annualized rate of 10 and 7½ per cent respectively. Utilization of capacities has risen by more than 11 percentage points since the end of 1982 and is now only slightly lower than the peak levels of 1974 and 1980.

The economic policy of the United States has also proven successful in stemming the inflationary swell. Last year, consumer prices rose only by 3,2

*Dr. Otto Count Lambsdorff* was Minister of Economic Affairs of the Federal Republic of Germany from 1977-1984.



per cent, the lowest rate since 1967. In the first five months of this year the figure amounted to some  $4\frac{1}{2}$  per cent.

But bright light casts dark shadows. Washington's budget deficit more than tripled from 1981 to 1983 and is now running at a level of some 170 to 175 billion dollars for 1984. In my opinion, the resultant high interest rates and foreign trade deficits represent the greatest challenges to the durability of America's upswing. Recently, OECD Secretary General Emile van Lennep properly pointed to the risk of the recovery in the United States encountering a "rough landing".

In Japan, the revival began in the spring of 1983, initially powered almost exclusively by an expansion of demand from abroad, above all from the United States. This was reflected by a rapid increase of Japan's current account surpluses. But internal recovery forces have now also pushed their way to the surface. It is exports, however, particularly to the United States, which continue to be the mainspring of Japan's economic recovery.

In Europe, too, the forces of recovery began to predominate at the end of 1982. But overall growth vitality is not as pronounced as in North America and Japan and there are substantial differences in the strength of the recovery from country to country. The revival has made the most progress in Britain and Germany. In some of the smaller national economies with stable prices, there has also been the start of a significant upswing. Above all, France trails the others in the long uphill climb; progress there is being impeded by external and domestic economic imbalances.

The growth lead taken by Britain and Germany is no coincidence. Above all, it is the result of an economic policy which at an early stage aimed at a sustained strengthening of market forces and at a sound domestic monetary and financial policy, including strict control of money supply.

*Encouragement of confidence and achievement* provide the leitmotifs for economic policy in both of these countries. Component parts of this policy are relief from tax disincentives for companies and employees, and the removal of administrative barriers. Another part of this strategy is the policy of rolling back the public sector's expanding activities, which in the Federal Republic account for nearly half of the national product.

The market policy concept is often misunderstood, and in part it is also intentionally wrongly interpreted. I should therefore like to state clearly that a system based on the market economy has nothing in common with unbridled entrepreneurship, *Laissez-Faire*, or Manchester Liberalism. Those days are past history, in Europe and elsewhere.

For there is no doubt: when free enterprise becomes an instrument of repression employed against the weaker and weakest members of society, it is society as a whole that suffers, and not only those immediately affected. Such a development threatens the stability of society, since it throws open the door to ideological agitation. Whoever equates such policies with the free

market order, acts to discredit the market economy. Within a market economy companies have a share in political and social responsibility. The market economy is a system with a social framework featuring a balance of power, it is a system of checks and balances. Above all this includes strong and independent unions, although they should not be overly powerful; it entails free collective bargaining and the right to strike, facilitating the integration into society even of its weakest members.

The market economy requires a comprehensive social system which provides protection in times of old age, sickness, disablement, and unemployment. And it entails a system of rules to preserve competition and prevent the formation of monopolies. For competition is the best guarantee against the concentration of economic and, ultimately also, of political power.

The market economy concept is one of a free society — a society offering balanced opportunities, in which freedom takes on material as well as ideal meaning. The market economy in my country and elsewhere in the industrial West has thus largely become reality. And it has proven itself as a highly efficient and superior system, both socially and economically.

Mr Chairman, the economy of the Federal Republic of Germany has developed in very positive terms over the past year and a half.

It is my belief that this development is basically the result of a consistent and solid economic policy, the initiation of which became possible only after the change of government in Bonn in the autumn of 1982, a transformation which was not least of all the result of my efforts. Above all, it is worth while to note that despite the tangible reduction of government spending, the economic uptrend was for the first time generated alone by a perceptible rise in domestic demand. Since mid-1983 there has also been a sharp impulse from abroad.

The economic upturn in the Federal Republic rested on solid foundations at the beginning of the summer of 1984. But then, during the summer, it received a dent. I view the strike in the German metal working industry as the main cause. The object of the strike was the reduction of the working week to thirty-five hours without pay cuts, a demand which was completely improper in view of our present high unemployment. It is like using petrol to extinguish a fire. The result was that the private sector was made uncertain. The economic situation darkened. The big question now is: how will the situation develop now that the strike is over?

It is my opinion that the German economy can continue recovery in the autumn, for overall macroeconomic fundamentals in my country are still good. To this extent I believe that the optimism of the government in Bonn is justified.

The general direction of the economic course we are taking is right. The market-economy orientation, domestic monetary and financial soundness,

the uniformity and completeness of our economic policy, all of this creates trust and confidence if it is not threatened. The international competitiveness of German industry is high, prices are stable, the current account is balanced, and corporate profits have improved significantly.

But as concerns the contracts concluded after the strike, I do not share the tendency now predominating in my country to assess the wage settlements in positive terms. Admittedly, the costs arising from the new contracts will most likely be able to be absorbed. German industry will be able to maintain its international competitiveness. But the agreed-upon reduction of working time is taking us in the wrong direction. When the going gets tough economically we have to work more, not less.

Economic vitality is generated only when everything is moving. The inner dynamics then act to create new jobs. But the price of creating new jobs is also an important aspect to be considered.

The recent contract agreement in the metal working industry will not create new jobs. It is more likely that the opposite will occur. For the reduction of working time and the associated additional labour costs will stimulate companies to rationalize further.

Mr Chairman, the picture of the global economy would be incomplete if I failed to refer to the astonishing differences in the employment trends between the United States on the one hand and Europe on the other.

The American recovery has thus far caused some seven million jobs to be offered again or newly created. The unemployment rate fell from about 10½ per cent in December of 1982 to just more than seven per cent in 1984. By contrast, the high level of aggregate unemployment in Europe has even continued to rise from its level at the beginning of the Eighties. The OECD has issued unemployment statistics for the EEC area showing a good eight per cent for 1982 and projecting more than 10 per cent for 1984. In the Federal Republic, the figure now stands at approximately eight per cent.

The long-term trend is even more informative than these short-term figures. In the United States, the number of employed persons rose by 27 million from 1970 to mid-1984, above all, in the service sector, in the banking and insurance fields, and in government.

Even in industry, the trend in the United States was comparatively favourable, for — other than in Europe — the number of persons employed in this sector did not decline. By contrast, the number of employed persons in Europe rose only slightly up to about 1980. After that, it dropped sharply. Explanations of the different trends are not easy to find. Even the experts are still arguing.

But it would surely not be mistaken to consider the wage trend as a major reason. In the United States, real wages remained more or less constant in the Seventies. By contrast, in Europe they have risen rapidly since the beginning of the Seventies.

The rapid increase of employment in the United States, particularly in recent years, also reflects greater vitality and flexibility in American industry. It is exactly this vitality and flexibility which is lacking in most of the countries of Europe. This is an area in which we must work hard to catch up. It is satisfying to note that awareness of this fact is gaining increasing ground. At any rate, in London at the last Economic Summit, the participating countries lent their support to such a strategy.

Mr Chairman, at the beginning of my remarks I explained that the economic recovery has in general continued to make uninterrupted progress. Nearly all professional observers of the economic scene now expect the expansion of demand and output to slow its pace within the course of the present year. Above all, they point to the United States, where it is anticipated that the inventory cycle will have an inertial effect on the volatile upswing. Furthermore, it is anticipated that the high level of interest rates in the United States and throughout the world will impede investment vitality.

I think these expectations are realistic. But at the same time I believe that this is no reason to return to fears of a new recession. I base my reserved confidence above all on the fact that the global economic fundamentals are much better today than they were at the beginning of the last global recession in 1979.

We are not facing a new oil crisis. Oil is in plentiful supply throughout the world. I also deem improbable the frequently cited danger that the Straits of Hormuz will be closed, particularly since the countries bordering on the Straits themselves have the greatest interest in keeping them open.

It is of central importance for me that the upswing progresses at only a modest overall inflation rate. In this context, I wish to recall the London Summit of 1977. At that time, the communiqué included the sentence, not least of all at German insistence: "Inflation does not lower unemployment". On the contrary, it is one of its main causes. This still applies.

It is also of great importance that the need for a positive adjustment policy, for a market-economy policy, and a confidence-building sound domestic monetary and financial policy be better understood and accepted.

Finally, domestic cost pressures have been reduced considerably in most of the industrial countries, the rise in wages is rather moderate worldwide, industry's overall profit margins have significantly improved, and last but not least, the process of structural adjustment has made progress in both the industrial and in the developing nations.

But despite the economic recovery and regardless of our cautiously positive outlook, we should not allow ourselves to lose sight of the fact that the global economy still has some way to go before regaining a clean bill of health. For, like the Sword of Damocles, a number of problems continue to threaten the further trend.

The first of these problems is that of indebtedness. For good reason this

provided a main topic of discussion at the most recent Economic Summit in London. Crisis management has thus far been successful in preventing a collapse of the international monetary and financial system. But the overall structure continues to groan under the strain. Above all, the rise in interest rates in the United States has again made the situation acute. According to calculations by the International Monetary Fund, a one per cent increase in interest rates is likely to add some 3½ billion dollars to the burdens already borne by the developing nations. This is 1½ per cent of total export earnings taken in by the twenty-five main debtor countries in 1983.

And another calculation which I read in a South African paper just the other day, made by Dr Rupert: it runs up to the gold production of South Africa for one year. After successful treatment of the shock phase, therapy for the debt crisis must now enter into its second phase. An absolute condition for this is, first of all, that the United States make an effort to reduce the interest rate burden on the developing nations by a policy which acts to reduce interest rates in the United States itself. I will return to this point in a moment. Without lowering interest rates it will hardly be possible to normalise the debt situation in the foreseeable future.

It is just as indispensable that the Western industrial countries keep their borders open to the products of the developing nations and that they pursue a policy which serves to further improve the conditions for a constant and stable growth process. For how will the highly indebted countries be able to fulfil their commitments without having the opportunity of earning the necessary revenues on world markets?

Energetic adjustment measures by the highly indebted developing nations themselves continue to be necessary. But appropriate account must be taken of the political and social difficulties in the developing nations in the process.

A key role is to be played by co-operation with the International Monetary Fund, both in the process of adjustment and in the assistance given for attaining balance of payment equilibrium and for debt rescheduling. The IMF is also the catalyst which sees to it that private capital which is so urgently needed continues to flow. In all efforts to reschedule debts and refinance deficits, the case-by-case principle should be strictly maintained. Only in this manner will it be possible to take account of the special features of each case.

The banks must also continue to play their role in providing funds. It cannot be regarded as the task of government to increase involvement and assume bank risks so as to relieve them of pressure. Banks must bear their own risks, even if they end up accepting losses; government ultimately shares such losses anyway in the form of lower tax revenues. The banks must also determine the extent to which they are able to ease the situation facing the developing nations, even if they must accept certain losses of revenue from interest. Above all, private lenders should feel encouraged to work out multi-

year debt rescheduling plans with debtor countries which have carried out successful adjustment policies. Furthermore, greater consideration should be given to substituting longer-term financing for short-term bank loans.

At the Economic Summit in London, the importance of long-term direct investment for the development process in the countries of the Third World was also properly emphasised. The developing nations themselves have considerable responsibility in this area, in particular, in providing a reasonable environment for investment.

Mr Chairman, a further risk to the global economy lies in the dollar's unrealistic exchange rate and in high interest rate levels worldwide. Both are directly connected to the undesirable developments in the United States' Federal Budget.

The interest rates are being driven upwards in the United States because of the enormous borrowing on the American capital market, because of the fear that the Fed might, after all, consider itself forced to deviate from its stabilization course thereby financing the budget deficits by inflationary means—thank goodness Fed Chairman Paul Volcker has stuck to his guns thus far—and because of the fact that the private sector's capital needs have grown. Rates on the American capital market have climbed from 11½ per cent to 13½ per cent since the beginning of the year.

This increase not only acts as an additional burden to the US Budget. It not only restrains the development of the American economy. It not only impedes the solution of the international debt crisis. It also has produced a substantial flow of capital to the United States, with the effect that the dollar's value worldwide is too high and that the interest rates worldwide have been caught in the updraft of the American capital market.

Now the United States has added fuel to the fire. By abolishing the withholding tax, the trend of capital influx will increase. I do not consider this measure to be in accordance with the international responsibility borne by the United States.

Many view the dollar's high exchange rate as an advantage. For the high dollar increases the chances of those competing with American industry. This makes it easier for them to sell their goods in the United States. And it facilitates their sales in Third World markets on which they compete with American companies. While such a trend at first sight may appear to be a blessing, a second look shows that it by no means serves the interests of reasonable international economic relations.

Because of the dollar's high exchange rate, trade patterns are formed which cannot be sustained and which therefore carry with them the danger of new adjustment problems. The high dollar endangers the arduously established progress in stabilization in other countries. Uncertainty over the dollar's future exchange rate impedes the international division of labour since it increases the risk of investing.

Finally, and this is rather depressing, there is an increasing tendency in the United States to aid domestic industry by means of protectionist measures. This even leads to such excesses as demonstrated recently by the American automotive industry when it called for the extension of import quotas for Japanese cars.

If you have been reading your newspapers lately, you will know that the auto industry in the United States has reported enormous profits, not least of all because it has enjoyed the protection of trade restrictions, and that it has hardly gone to any effort to make up for its competitive disadvantages relative to the Japanese. The situation climaxed as the managers divided the spoils among themselves and then had the audacity to claim that the trade restrictions were necessary, arguing that only thus could the unions be brought to accept moderate wage settlements in the forthcoming round of collective bargaining.

At the moment, believe it or not, there are nearly one hundred bills of a protectionist nature up for consideration by Congress. Those offering the greatest problems are the Local Content Legislation for the automobile branch and the Trade Remedy Bill with its expanded definition of the term subsidy.

The US International Trade Commission's recent recommendation to introduce quotas and tariffs on ordinary steel imports so as to relieve the American steel industry is an example of such tendencies. President Reagan has as yet been steadfast in repulsing the protectionist demands of American industry and the US Congress. I welcome this attitude and hope that it will continue throughout the election campaign.

Mr Chairman, I believe that one of the keys to solving global economic problems lies in the American Government's budget policy.

It is urgently necessary that initial steps be taken in a convincing manner in the direction of a sustained reduction of the Federal budget deficit in the years ahead.

The recent agreement worked out by the mediation committee of the US Congress concerning the first part of the intended down payment will not suffice. In my opinion it represents no more than a minimum, and might aptly be described as a down payment on the down payment.

I am, however, well aware of the fact that the dollar's exchange rate and the interest rate problem also have another side. While there is no doubting that the United States bears the main responsibility, every country must contribute its own share in solving the problems. All countries must conduct a consistent market-economy-based stabilization policy, and all must be relentless in reducing budget deficits, something which I do not primarily regard as a policy of restraint; rather, it is a consistent and credible medium-term policy with a good dash of market philosophy, that is, encouragement and support of industry's own flexibility and capability to adjust.

This would enable us to lower interest rates with greater independence of American budget policy, above all, since it would be supported by associated medium-term anticipation of other currencies' appreciation against the dollar, a development which would yield more latitude for greater independence of the dollar.

The mention of flexibility to adjust brings me to a third threat to the global economic recovery, protectionism.

At all of the important meetings of recent years—at the economic summits, at the OECD and GATT ministerials, and at the UNCTAD conferences—the necessity and benefit of an open system of multilateral trade was proclaimed.

But in the face of all of these declarations, the wide discrepancy between Sunday sermons and everyday action, or omission, has become evident. Regrettably it is the major trading partners which all too easily resort to the protectionist repair kit.

I have already cited the example of the United States. The same applies to the European Community. We need only look at the recent decisions on trade policy instruments taken against our German vote, and at the quotas for Japanese video recorders. I could also cite the subsidy policy in the steel area, not to mention protectionism in the farm sector.

Nor can Japan, the third point on the trade triangle, be absolved of guilt in this regard. Although Japan is showing willingness to liberalize access to its tightly guarded market, the steps which it has taken in actual fact have always proved to be rather small and hardly exceed statements of intent. This was demonstrated only last April when the fifth package of measures was announced. As concerns the liberalization of the financial and capital market and the internationalization of the yen, progress is very slow.

But it is these major trading partners who must consider the international impact of their national economic policies and who must fulfil their particular responsibility for the overall system. More than half of the world trade is conducted by the European Community, the United States, and Japan. Protectionist tendencies in these countries against one another and against third countries in open or disguised form are therefore of cardinal importance for the overall system of multilateral world trade.

I am particularly concerned by the fact that methods are becoming increasingly more refined so that international agreements such as the GATT are not directly violated. So-called voluntary restraint agreements are on the advance. They not only act to the detriment of the weaker partner, they also have negative effects on third parties and remove a good part of trade relations from international jurisdiction. The process of structural adjustment is thereby impaired, and the positive impact of the international exchange of goods stifled.

Above all in the EEC, many countries are conducting a sectorally oriented



industrial policy relying on aids and subsidies, which in turn have a damaging effect on other companies in neighbouring countries. This leads to a waste of resources and to delays in structural adjustment; but more important, it distorts competition from country to country and, as in the case of steel, produces an unhealthy battle of subsidies carried out at the expense of the taxpayer.

Government cannot assume industry's responsibility for taking precautionary measures and adjusting. Corporate losses are not to be financed by the public at large. It would be unwise to impose burdens on healthy companies and private taxpayers — not to speak of wage earners — in order to sustain the life of unsound companies.

Protectionist elements are also part of the EEC's latest trick, which is to place the common trade policy at the service of industrial development. The object here is to use tariff barriers to support the development of so-called infant industries.

Such a policy would not only endanger the necessary co-operation with other countries in technological fields and promising areas. It would also invite countries to raise tariffs under the guise of structural policy. This would set a dangerous precedent for other trading partners. The infant industry argument in foreign trade theory, as applied to the new technologies, is the best recipe for plunging into a growth policy trap, from which the Community will hardly be able to escape of its own. Above all, tariff isolation would make the transfer of technology to the EEC more difficult and it would seriously damage industry's competitiveness in the long term.

Finally, we have the so-called industrial targeting, which Japan in particular has developed to great perfection. With the aid of a common strategy worked out by public authorities and private companies, product or sector-related innovation is carried out and then enormous export capacities developed.

The consequence of such a policy is that individual countries create massive advantages for their industries on the world market, particularly in the area of the new technologies. These benefits are especially large since the companies can rely on government support and protection should the common strategy prove erroneous. It is this reason which makes companies and their associations particularly interested in convincing the state to take a full share of responsibility. For this reason, I do not believe that the corresponding initiatives in Japan are, as a rule, started by the government. Because of the associated risk coverage, Japanese companies have at least as great an interest as the state in combining corporate total strategy with government responsibility in this manner.

The new forms of protectionism have two common elements. They enlist the help of the public sector, and they endanger substantially the international

free exchange of goods upon which the global economy is so dependent.

We are faced by the fundamental choice of viewing the world market either as a field of action for individual companies or as an arena for competition by the national economies.

In the first case, our task is to make use of a global regulation of competition to continue to guarantee the conditions for fair performance-oriented competition into the Eighties and to defend it by means of sanctions against restrictive practices and unfair competition. We must then strengthen GATT and in our internal economic policies pursue a positive adjustment policy instead of defensive growth strategies.

Opting for the second choice I have outlined would ultimately mean a substantial increase in the potential for international economic conflict. Whenever a government joins hands with entire sectors of industry in a common economic offensive against foreign markets, the industrial structure of the affected country can be quickly and dramatically altered. The private companies in the relevant branches and countries must exhaust their entire stock of limited and private financing and innovation potential in the battle against the nearly boundless resources at the disposal of the competitor's government. They quickly fall behind in the effort.

It is then no wonder that the companies and branches affected attempt to mobilize political and social forces in their own countries to mount countermeasures. The governments of these countries are then forced to resort to protectionist measures. And if a number of countries or economic blocs ultimately pursue such strategies to foster promising industries — we need only take a quick look at the catalogue of government assistance measures available to industry, they are nearly all the same — setbacks for all concerned, including the initiators, turn out to be inevitable.

Retaliatory trade restrictions; government competition in granting subsidies; excessive industrial concentration; export moderation; and finally, crowding private enterprises out of business by means other than those available under market economy rules are all elements and unavoidable consequences of the so-called protectionism of the "third dimension" which could threaten the free system of world trade in the Eighties even more so than protectionism of the first dimension, that of tariff barriers, and protection of the second dimension, that of non-tariff barriers.

What an individual government considers to be a reasonable method of attaining a set goal may prove to be an explosive time-charge with megatons of lethal effect on the open system of worldwide trade and transfers. Such a development would, in particular, pave the way to severing the industrialized countries from the Third World in terms of trade policy, with all of the implications for the debts problems, their share of international prosperity, and their further integration in the global economy. The fact that

this would have implications for competition of political systems in East and West is not to be dismissed.

Mr Chairman, the dangers which I have just outlined are by no means mere figments of the imagination. The poor trade relations between the European Community and Japan reflect the dangers I have described, just as the constant friction between the United States and the European Community in the steel and agricultural areas.

The Trade Remedy Bill, which I have already mentioned, and which is the object of consideration by the US Congress, is also symptomatic of the dangerous situation. The aim of this piece of legislation is to enrich the subsidy catalogue of the Countervailing Duty Law by expanding the subsidy definition to include government export targeting schemes. To this end, the US International Trade Commission is to launch a continuing programme: "to monitor and analyse to discover whether targeting subsidies are being planned or implemented". For the first time, this Bill specifies a number of detailed criteria for an industrial export targeting scheme.

These criteria, which are intended to make it easier for the American Government to enact retaliatory measures, range from government encouragement and toleration of the foreign competitor's market behaviour which is hostile to competition, to grants toward the costs of procuring capital by means of government influence on financing institutions and banks, and finally to government discrimination and restriction of the technology transfer including government measures to protect new technologies which aim at sealing off the domestic market from strong foreign competition. The determination that this is the case may be based on circumstances relating to a foreign product, a branch, or even to an entire industry in the competitor country.

Every election campaign in the United States naturally produces undesirable protectionist side-effects. But the impact of this Bill far exceeds the Export Administration Act and the Local Content Bill.

Mr Chairman, I have spoken of the discrepancy between word and deeds in trade policy. Against the background of dangers which loom here, this cleft is even less understandable. How is it to be explained? Three essential reasons must be cited. The main nourishing source of protectionist mentality is the reluctance to implement necessary structural adjustment. Moreover, short-term government approaches aimed at ensuring employment not only restrict the flexibility of the economy but also foster the illusion that adjustment pressures may be overcome without consequences for one's own position. Finally, there is the attitude that the need to adjust can in the long term be evaded or that benefits may be acquired by means of individual protectionist measures.

But a free system of world trade can function only to the extent to which

there is the willingness generally to accept the rules and their associated consequences. It may indeed be true that a single protectionist measure can hardly be felt within the entire system. But over the years, a thicket of restrictions has grown like brambles and now threatens to choke off the development of economic activities worldwide. Protectionism is a subtle and slow-acting poison, ultimately catching up with those who unleashed it.

It is important for building confidence that the direction of trade policy be turned around. This applies both to the ties among the industrial countries and those between the industrial nations and the developing countries. I therefore welcome the decisions taken at the last OECD ministerial meeting on behalf of concrete liberalization progress. I particularly want to mention that we agreed to implement earlier than planned the tariff reductions approved at the Tokyo Round. A work programme was set up for the removal of further restrictions.

By no means can we afford to regard the liberalization initiative of the OECD as a substitute for the work programme of the GATT ministerial meeting in November 1982. Rather, all efforts should continue to be aimed at full implementation, also of the GATT programme. This additionally includes efforts to eliminate quotas and gray zones. Further included are the traditional GATT safeguards, trade benefits for tropical products, continued study of trade in services, and continued efforts toward relaxation on the farm sector.

Intensive and constructive efforts toward progress on the OECD and GATT work programmes would also serve as the best preparation for the ultimate success of the new GATT Round, to which I attach considerable importance. It would also serve to dispel the mistrust of the developing countries, which view the new GATT Round merely as an escape hatch from the responsibilities of the GATT work programme.

One of the most important topics for the new round of GATT negotiations is extending GATT discipline to cover new forms of protectionism which I have discussed here in such detail. Another point of emphasis is trade with the developing countries. Trade problems within the North-South relationship must today particularly be viewed with an eye to the dangerous debt level of many developing nations. For this reason, the industrial countries must in their own interest grant improved and secure market access to the developing nations to help them earn export revenues.

The topic of trade with the developing nations also embraces the threshold nations. It is legitimate to expect that these more advanced developing countries, which are very competitive in certain areas, make their own markets more accessible corresponding to their level of development and progress. In this connection, it is necessary to proceed pragmatically. An excessive emphasis on reciprocity might at an early stage lead to the harmful formation of fronts.

The new GATT Round will also deal with areas which have not yet been subject to GATT discipline. In this context, I wish above all to point to the growing importance of trade in services. Finally, the new GATT Round will also discuss the classical trade barriers.

As you see, the new GATT Round will be a comprehensive one. It offers the opportunity of conducting an intensive dialogue and facilitating a turn-around in the direction of trade policy. We must make use of this opportunity.

Mr Chairman, I have been cautiously optimistic in my assessment of the outlook for the global economy, despite the risks which doubtlessly threaten from the debt crisis of some developing nations, from the high interest rates and the dollar's excessive exchange rate and from trade policy. But it is crucial that we make no economic policy mistakes at this stage.

The strategies for limiting the risk are well known. They were reasserted at the last Summit in London. It is now crucial to translate into action, step by step, that which was outlined in communiqué form in London, and which has appeared in the communiqués of so many other meetings. And that means:

- That we cannot afford to relax efforts to improve the basis for sustained growth and for the creation of new jobs by means of sound, stable, and disciplined domestic monetary and financial policy.
- That we should not pursue interventionist strategies to solve structural problems; rather, that we must conduct a policy of positive adjustment, one which relies on market forces.
- That all of us in concert, industrial countries and developing nations, banks and the International Monetary Fund, should not cease to search for solutions to the debt crisis.
- And finally that we must reject all forms of protectionism and open our markets, especially to the developing nations.

I believe that if all nations work hard to enforce such a strategy we will not have to face the future with anxiety. Once again, the conditions for a sustained upswing in the global economy are not all that bad. But we must make use of the opportunities at hand.

## Political and strategic aspects of the present world order

Ever since mankind began experimenting to find the ideal way of structuring society, and nation states were formed embodying the practical characteristics of differing philosophies, the world has more often than not lived in a state of tension. But the last quarter of the 20th Century is particularly tension-ridden. In contrast to earlier times, however, the issue today is not which of the two dominant political philosophies will win the struggle for the heart and mind of mankind. There is clearly sufficient evidence to show that a system based on the denial of personal and political freedom is incapable, in the long run, of emerging triumphant over one which sets as its highest objective man's yearning for freedom.

No, the issue today is how the challenge presented by communism to constitutional democracy can be managed so that confrontation may give way to what must be called constructive competition. Will the tension engendered by the friction between the two systems finally give way to a less dangerous or more creative peaceful competition? This is, at this moment anyhow, a somewhat utopian perspective. I do not believe that the Soviet Union, as the protagonist of bringing the world under its hegemony, considers that their purposes are best gained by armed aggression. There is on their side fortunately, a healthy respect for the possible military consequences of aggression, to wit, that there might follow on the part of the intended victims a resort to nuclear weapons with dire consequences to both sides. This dictates a healthy caution. Moreover, in a nuclear age there is less risk of sliding into conflict by accident as the result of imperfect crisis management mechanisms.

But, even if the likelihood of a new world war is at present not too serious, the Soviet struggle for supremacy will certainly continue. Given the existence of two fundamentally antipathetic political and social systems, it is unreasonable to suppose that the expansionist and subversive challenger will be content to rest on its laurels and abandon the competition. The world must therefore be prepared for periodic crises as one side seeks to expand its influence and the other seeks to protect its values and freedoms.

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Let me examine in some detail the present state and prospects of each side in this continuing drama. We may thereby reach some conclusions as to the future course which the struggle between them may take.

Compared to the bipolar world of let us say thirty years ago, the world picture of today has become multipolar, far more complex and with frictions and upheavals which have generally little connection with the East-West struggle. Of course, the outcome of these frictions, these conflicts, like the Israel-Arab confrontation or the Iran-Iraq war and various trouble spots on the African continent and in middle America will have consequences on the position of the communist world in its relation to the free world and are therefore a source of concern and often worry to both sides.

Moreover, in comparison to the situation thirty years ago, the communist world is no longer monolithic. The schisms which have rent it are now so deep that the former frightening solidity it presented to the Western world cannot be re-created. The hostility between its two largest proponents, the Soviet Union and China, has passed beyond the point at which in the foreseeable future a reconciliation could be brought about. Yugoslavia's successful challenge to Moscow, and the heresy of Eurocommunism within the communist parties in a number of Western countries are symptomatic of the centrifugal forces which have sundered the once homogeneous communist bloc.

Furthermore, the appeal of the communist ethic which at one time seemed almost universal, has withered as the fundamental shortcomings of the system have become all too apparent. This disenchantment has been manifest not only in those countries of the third world which, in the immediate post-colonial period, looked to the language of Marxism-Leninism as an appropriate way to emphasise their detachment from former colonial masters. Far more important has been the disillusionment which has set in within the core of the communist camp itself.

The failure of the system to provide adequately for material well-being, and to respond to the individual's desire for cultural and spiritual development is not an acknowledged fact in the states of Eastern Europe and in the Soviet Union. Dissatisfaction with economic mismanagement has, of course, been seen most dramatically in Poland. But elsewhere, too, the people of the communist states are displaying the same disappointment. The average Soviet citizen sees his standard of living stagnate as the consumer is sacrificed on the altar of military expenditure. Conditions of life in Romania have deteriorated. All over Eastern Europe, and in the Soviet Union as well, nationalist sentiment is on the upsurge. Dissent, though cruelly oppressed, continues stubbornly to survive.

The only response open to a communist regime determined to maintain its hold on power is further repression. That, of itself, illustrates the sterility of the system and its inflexibility. The greatest Soviet admission of defeat was

the need to invent what has become known as the Brezhnev Doctrine in reaction to the attempt to give communism a human face in Czechoslovakia. This Doctrine was invented in order to provide a pseudo-ideological excuse to maintain the Soviet hegemony over Eastern Europe. The denial of the validity of the concept of national paths to socialism which this Doctrine represents, and its extraordinary notion that an independent sovereign state is neither independent nor sovereign, is one of the most eloquent comments on the failure of communism to meet the individual and collective aspirations of those upon whom it has been imposed.

Despite these failings, the communist world still presents a formidable challenge and danger to the Western world. The massive and continuing build-up of military strength—the only yardstick regarded as a valid measure of international influence by the leaders in Moscow—is a threat in itself. Allied with a resolute singleness of purpose on the part of these same leaders, and an ideology which cannot but be expansionist, it is doubly dangerous. So far as I can judge, the Soviet leaders show not the slightest inclination to relax their grip on that part of the world they now control, nor to abandon their quest for expanded influence wherever a careful calculation of possible gains and losses convinces them that the chance is worth taking. The time-frame in which they now pursue their goal of world hegemony has certainly been extended: their attachment to that goal remains as firm as ever. The Western world will ignore this at its peril.

Now, what of the Western world? Here, too, there are many problems and many divisions. The bridge spanning the Atlantic, particularly in periods of economic adversity such as we are traversing now, and this applies more to Western Europe than to America which is showing a remarkable recovery, seems to have become rather wobbly. Western Europe and North America may appear to be pulling in opposite directions. Such are the consequences of differences of perception and of a difference in the economic and geo-political situation. The Western world in its component parts shows, indeed, some marked differences. The major powers of Western Europe have, as individual states, lost the dominant world role they once enjoyed. The compensatory move towards a pooling of resources, and thus of power, which was the principal object of the Treaty of Rome, has proved so far to be unattainable. Indeed, we have recently seen more of a revival of national rivalries than the solution of differences, needed to translate the economic and human potential of Western Europe into a powerful supernational and cohesive force.

As one who has been intimately linked with the process of unifying Europe and who is one of the last signatories of the Treaty of Rome still walking this earth, I must confess that one of the greatest disappointments in my public life, which spanned well over 32 years, has been the failure of the Common Market to live up to its professed aims and to the very clear text of the Rome



Treaties. I do not want to point an accusing finger to the main culprit. Let me only say that of the six initial signatories, the Netherlands Government, political parties and public opinion were the most ardent champions of a really united Europe.

In the concept of the founding fathers like Alcide de Gaspari, Jean Monnet, Robert Schuman and Paul-Henri Spaak to name only a few, the Common Market was meant to become, little by little, a new superstate, and the European Commission, to become the governing body of this supernational entity. This process would, of course, have taken a number of years and the various countries would have retained their specific personalities and a great deal of authority in their internal matters but the economic policy, social policy, foreign affairs and military policy would in due time be decided by the central body. The rejection by the French Parliament of the European Defence Community, the outrageous abuse of the individual veto which has so often paralysed actions by the Common Market, the, to my mind, vastly exaggerated priority given to the so-called Common Agricultural Policy which has laid upon some of the members enormous financial burdens, these are but a few of the ailings of the Common Market which is now in danger of becoming nothing more than an enlarged customs union. And I do not want to dwell upon the wisdom of expanding the membership to countries which even in the economic sense are not quite ready to assume all the responsibilities and the burdens of membership. I repeat, this failure, this blurred vision of what could have been a marvellous achievement giving Europe its rightful strong place and influence in this world has been, for me, a bitter disappointment.

Coming back to the main theme of this address I submit that there is some justification for the charge which is being heard today, that Western Europe seems too intent upon its own problems and is losing its appreciation for the global challenges requiring global responses. At times, the Europeans seem too content to allow the US defence umbrella which is so vital to the protection of their security to be taken for granted—and then to complain when they discover to their surprise that the need for it is here and there being questioned in the United States.

Rather recently, there have developed, in some sectors of public opinion in a number of European members of NATO, confined mainly to the left and radical elements of the populations, a marked and dangerous anti-Americanism. One of the very worrying aspects of this state of affairs is the tendency to equate the United States and the Soviet Union and to depict the United States and the policies of President Reagan as equally dangerous as those of the Soviet Union. This is a most unjust and, moreover, dangerous fallacy. Neither ideologically nor politically, nor in the sectors of human rights, the freedom of the individual, freedom of the press, and literally all other aspects of political and human activities can America be put on the same

level as the Soviet Union, and this is particularly the case when we consider the day to day policies and actions of the two superpowers. The fact that during the first two years of his Presidency, the present incumbent of the White House made some rather strong statements which gave the impression that the United States might be embarking upon a sort of crusade to change the system of government of Soviet Russia, is still being shrilly denounced by the speakers and the papers of the left who conveniently forget that President Reagan has become, these last two years, in his treatment of the Soviet Union, as moderate as his predecessor, President Carter. If Mr Gromyko, in his address to the participants of the conference, had been half as moderate as President Reagan was in his speech before the reconvening of the Stockholm meeting, he would have been hailed the world over as a true and wonderful champion of world peace and the initiator of a new and trustful co-operation with the Western world. Furthermore, those critics conveniently seem to forget that the United States is their ally and that without the United States' membership of NATO there would have been a real danger that the civil liberties they enjoy and which allow them to utter these violent criticisms would, in all probability, long have been suppressed.

Fortunately, this anti-American agitation is still confined to a minority, be it a very vociferous one. The bulk of the population in the European members of NATO is still staunchly supportive of NATO. For example, a recent poll in the Netherlands showed that nearly 75 per cent of the people who were questioned are staunchly supporting the Western Alliance.

As I pointed out before, also in the United States there are heard criticisms against the Europeans mainly for not assuming a reasonable share of the military burdens. This feeling is at the root of the defeated Nunn Amendment. My own opinion is that this American criticism is exaggerated. I will admit that the European countries could do somewhat more but I underline "somewhat". Countries like the United Kingdom, Norway, France, Portugal and Turkey are well above the three per cent yearly increase in real terms in military expenditure decided upon five years ago. Others are somewhat laggard and one or two are open to justified criticism because of their very modest defence effort. There are, furthermore, factors the Americans conveniently forget. First of all, quite a few countries like the Federal Republic of Germany and the Netherlands, are spending vast sums of money for infra-structural assistance to the American troops stationed on their territory like barracks, warehouses for tanks and other arms, schools, housing, sports fields and the like and these sums do not figure on the defence budget. Also, when during the Carter Administration the American defence effort went down, those of the European allies went up and, finally, the exchange rate of the dollar having gone up recently in such a spectacular way, a false picture of the European defence effort is produced.

I recently met an American Senator who reproached me that the

Netherlands defence spending had gone down this year. I replied, "No, Senator, no, in real terms the defence budget of the Netherlands this year has gone up by two per cent whereas all the other headings of the general budget have gone down. It is your dollar which has recently gone up by more than 10 per cent which falsifies the picture". These reproaches from both sides of the Atlantic are regrettable and should be counteracted strongly.

For its part, the United States has, in recent years, displayed a dynamic leadership of the Western world, while coming out of its economic depression and repairing a defence capacity which, under the previous administration, had been allowed to decline. In doing so, however, the United States has sometimes paid less than full attention to the effects of its policies on its own allies — whether this be in the economic sphere or in the zeal with which it has publicly sought to demonstrate its determination to defend freedom. Moreover, the Europeans fear that the United States may place increasing emphasis on its ties with the Pacific region to the then possible detriment of its partners across the Atlantic. In short, there are fears that the American commitment to Atlantic solidarity could for a number of reasons become less strong, with as consequence, a weaker American military presence on the European continent.

These criticisms I have touched upon are in reality the still superficial manifestations of the differences I mentioned earlier. But we should keep in mind that underlying them is a solid bedrock of shared values, principles and ideals. The ties which bind North America and Western Europe together are far greater than the interests which tend at times to pull them apart. These are values which are defended and dictated from below, not imposed from above. Despite the image of a Western Alliance afflicted with a death-wish which the media to their great discredit quite often convey, the vitality, viability and cohesion of the Western world are still there. A short-term and a long-term example suffice. The implementation of NATO's December 1979 decision on intermediate-range nuclear missiles in Europe — pursued in the face of an enormous and skilfully orchestrated campaign to prevent it — has demonstrated the Allies' manifest common will to adequately respond to a significant new military threat, and the at present unimpaired continuing presence of United States forces in Europe is a clear sign that the American President and Government remains fully aware of the fact that the security of Western Europe is synonymous with the security of the United States. The Netherlands' decision on INF and the recent fortunately defeated moves in the US Senate to reduce US troop strengths in Europe, for all the potential problems they pose, do not detract from this picture of the Alliance with a clear community of purpose.

All in all, the Western attachment to common values and free association is a guarantee of the durability of the democratic system; whereas association by force and the absence of common values in the communist world are

indicative of a system unsure of itself and the support of the people it purports to represent.

To return, however, to my starting point. Tensions between the two philosophies will persist: how can they best be controlled? The Atlantic Alliance has recently set out its manifesto on this score. The Washington statement on East-West relations sets forth what I believe to be the only sane approach. On the one hand an adequate balance of military forces, set at their lowest level possible, is essential to provide a reasonable basis of security and confidence. On that basis, the search for a more constructive relationship can be pursued. The Soviet response to this document has been totally and discouragingly negative. It is clear that, for the moment at least, the Soviet leaders are not interested in working for more productive relations except on their own unacceptable terms. Clearly, the extent of Western influence on Soviet policies — beyond the maintenance of an adequate balance of forces — is marginal. The Soviet Union will always act according to its own perceptions, interests and motivations, pursuing its aims with scant regard for objective truths and with a marked absence of elementary decency.

This deviousness and unreliability of Soviet foreign policy behaviour is, one should be aware, not entirely due to the dictatorial communist regime and its sometimes nearly pathological distrust of foreign countries and regimes. It is indeed a Russian characteristic, displayed throughout the entire history of Czarist rule; experienced, observed and commented upon by foreign rulers and statesmen. This Russian characteristic underpinned by xenophobia has, of course, become even more obvious in the present regime's behaviour. I give you a few examples. It was at the beginning of July 1809 that on the famous raft in the middle of the River Niemen, Czar Alexander professed and displayed his admiration and affection for Napoleon in exaggerated and effusive terms, pledging eternal friendship and understanding. But at that very moment, in a letter to his sister, Grand Duchess Catherine, the Czar cynically referred to his French partner and ally as an adventurer, an upstart and a parvenu, while boasting that he had been able to hoodwink him entirely. An even more telling episode took place in 1816, barely a year after the great victory at Waterloo and the ensuing signing of the so-called Holy Alliance between Russia, Austria, Prussia and Great Britain. The Russian Chancellor addressed identical letters to Lord Castlereagh, the British Foreign Secretary, and to the Austrian Chancellor, Prince Metternich. He proposed a trilateral pact between Great Britain, Austria and Russia, setting forth a just and meaningful reduction of the armed forces of the three powers. Castlereagh at once replied, giving the details of the British armies and explaining that the bulk was stationed in various parts of the vast British Empire, making reductions well nigh impossible. Metternich, upon receiving a copy of this letter, replied to his British colleague and expressed his concern at the candid contents of Castlereagh's

letter. He pointed out that the Russian government was in the habit of never telling the truth and would only misuse for its own expansionist aims its knowledge of the exact location of the British armies. Furthermore, Metternich went on, even if Russia were to sign a treaty of partial disarmament, they would never honour its clauses and would take advantage of the weakening of its partners in order to increase its own influence and enlarge its territories. Even a superficial study of the policies of Peter the Great, Catherine the Great, Nicholas I, or of most of the other Romanovs will show many more examples of the Russian distrust of foreigners and the Machiavellian practices in their dealings with foreign powers.

One may ask when faced with such an unreliable party: what is the use of going into agreements at all with the Soviet Union? I would say that it is still useful to try to come to some sort of understanding because as long as the Soviet Union sees advantage in observing its clauses it will, as has been proved, observe them. And even if, as was evident from time to time, they did not shrink from a little cheating, it still is worth while to have agreements like, for instance, Salt I, or the agreements on the rules of conduct in peacetime of the warships of the United States and the Soviet Union which have proved to reduce incidents drastically. There are in all a couple of dozen agreements between the West and the Soviet Union which, I repeat, are being rather useful but we should not be swayed by illusions and be aware of the limited advantages of agreements with the Soviet Union.

Still it is argued that in the face of the uncompromising Soviet attitude, the Western world should abdicate all attempts to achieve better relations. This would be, I submit, a short-sighted approach. Political dialogue is needed because the present problems are too serious and too numerous to be ignored or treated in isolation. For far too long the only point of contact between East and West has been arms control talks. Important as these are, they are also perhaps the most difficult to bring to a successful conclusion. When they fail, there should be an agenda of other issues which both sides consider worth addressing. Arms control has suffered from being burdened with the entire weight of the relationship, with the perhaps inevitable result that we find ourselves now in what might be called a negotiating desert.

It may well be that because of the Soviet's complete unwillingness at present to engage in talks with the West, a protracted period of frozen relations between East and West will persist. It is difficult to predict how long the Soviet Government will remain deaf to all attempts at dialogue. We will have to live with it while maintaining on our side our willingness to resume negotiations and while being careful not to provoke the Kremlin.

The present Soviet intransigence is, to my mind, a sign of weakness. Faced with the failure of its attempts to induce the governments in question, the United Kingdom, the Federal Republic of Germany and Italy, not to start stationing the modernized missiles as a reply to the Soviet SS 20 and also the

swift changes in leadership, it would seem that the Russian leaders do not quite know how to react positively and have resorted to a policy of saying "nyet" to all Western initiatives while at the same time fiercely attacking not only President Reagan and the United States Government but also, as became obvious recently, denouncing the Bonn Government for its so-called militarist and revanchist acts. Furthermore, it seems obvious that Moscow has decided to await the outcome of the American Presidential elections. Therefore, I for one, believe that at a certain time, perhaps in the course of next year, Moscow will see advantage in resuming the dialogue.

A sense of constructive responsibility is required to overcome this unsatisfactory state of affairs. The NATO member countries have recognized this and have made repeated offers of a dialogue to identify and expand areas where East and West share common interests. The repeated refusal of the Soviet Union and its allies to make a matching effort is no reason to give up. I repeat, sooner or later I believe the leaders in Moscow will come to understand that their present attitude is not in their own best interests: they are, in my judgement, men who, for the time being, are held prisoner by an unreasoning fear of appearing weak. Their own stature and that of the Soviet Union, would be enhanced by a more responsible and constructive attitude. But at present they seem to be doing everything possible to undermine the image of a peaceable Soviet Union which their propaganda machine is trying so assiduously to portray.

Several times I have referred to the so-called double-track decision of December 1979 when the NATO powers decided, in the absence of signs from Moscow that they would be willing to compromise, to station about 548 modernized missiles to counter the threat of the Soviet's SS 20. Let us not forget that the peace in this world for a large part depends on the credibility of the American nuclear deterrent. An armed conflict which would escalate into a nuclear onslaught presents such a frightful perspective that no country will be willing to risk it. Even if the Soviet Union were to believe that they could win a nuclear war, they will be deterred by the frightening perspective of what would happen to the Soviet Union itself in such a case. It is a truism to state that a country possessing great power will usually take advantage of the power for its own aims, be they territorial expansion, political hegemony or economic subjugation of its neighbours. One has not to go back to Darius the Great, (the Persian Monarch), or Alexander the Great, or Caesar to prove this point. More recent examples suffice: Louis XIV of France, Frederick the Great of Prussia, Napoleon, or that frightful dictator Hitler, are recent examples of this human pattern of behaviour.

During the rather short time spanning the 17th Century, in my opinion too short a time, when the Dutch were supreme on the Seven Seas, my fellow countrymen took full advantage of their impressive naval power and I still think that it was quite appropriate when, about 1665, the Dutch to their

horror, noticed that the Dutch part of trade in the Baltic had fallen to only 85 per cent. They made war on Sweden to castigate that country for this impertinence.

There is, however, one exception. During a number of years, the United States did not enjoy superiority. No, it was all powerful because of its monopoly of nuclear weapons. America could then have forced the whole world, Soviet Russia included, to do exactly as Washington wished and it is simply a statement of fact that neither American public opinion, nor Congress, nor the American Government, nor the military leaders, were even dreaming of using, be it only as an argument, this frightful power. One may well shudder at the thought of what would have happened if Stalin had possessed this monopoly. Thereafter, for quite some time, America enjoyed a marked superiority in the nuclear sector until President Carter proposed parity to Moscow which, of course, was eagerly accepted. But at the height of the so-called détente between East and West, the Soviet Union started to develop a new and frightful weapon, the so-called SS 20, a missile with three pre-targeted warheads and with a range of 5 000 km which means that all of Europe, Iceland included, could be hit. Because the United States and Canada were outside its range, the Soviet Union called this weapon an intermediate range missile but I submit that in fact it is a strategic weapon far outstepping the range and effect of the so-called battlefield weapons which NATO and the Soviet Union have stationed in Europe. The SS 20, however, is stationed in Western Russia and NATO had, until recently, no nuclear weapon to reply to the SS 20. Incidentally, each of the three warheads has more nuclear and explosive power than the nuclear devices dropped on Hiroshima and Nagasaki. I said NATO had no reply to the SS 20 but this is not entirely true. America could use its terrible strategic nuclear missiles on the territory of the Soviet Union in order to reply to an onslaught of the SS 20 against NATO Europe but I submit that this possibility is not credible. When one thinks of the incredibly frightening effects of one megaton bomb on, let us say Manhattan, one would find it hard to believe that America would indeed subject the Soviet Union to an attack by strategic nuclear weapons with the absolute certainty that within half an hour a terrible reply would hit the United States. Therefore, let me repeat, the credibility of our deterrent had declined dangerously.

Let us bear in mind that the only possibility that a country might resort to the use of nuclear weapons is when its antagonist could not reply in kind. The United States would certainly have thought twice before dropping the two atomic bombs on Japan if the Japanese would have had the possibility of replying in kind on one or two of the cities of the west coast of the United States.

It was the German Chancellor, Helmut Schmidt, who in the summer of 1977 when there were about six or seven SS 20s in launch position, appealed

in a speech in London to the United States not to leave Europe undefended and to station in some NATO countries modernized tactical nuclear weapons which would be able to reach Western Russia. Although, partly because of the high cost, America was rather hesitant, they finally agreed to modernize some of their tactical weapons and the Cruise and Pershing missiles were therefore developed. When the decision to station them in Europe was taken, as I said, in December 1979, there were about 80 Soviet launchers stationed. In the 4½ years elapsed since then, the number of SS 20 launchers has reached nearly 380 which means well over 1 000 warheads. NATO, however, has not increased the number of their modernized weapons because, I think rightly, we are convinced that the possibility of a reply even if the other party has superiority, is enough to re-establish the credibility of our nuclear posture.

NATO, when adopting this line of action, at the same time offered to the Soviet Union negotiations with the aim to either eliminating or reducing on both sides these new weapons but Moscow steadfastly refused and during the four years which elapsed between the decision of December 1979 and the start of deployment in Great Britain, the Federal Republic of Germany and Italy, the Soviet Union not only increased steadily its arsenal but deployed a feverish activity to undermine, through the action of public opinion, the decision to deploy these weapons in the five countries concerned. Indeed, a small number of modernized weapons is meant to be stationed in Belgium and in the Netherlands.

It has been a bitter disappointment for the Soviet Union that Great Britain, Germany and Italy remain steadfast, and their hopes to acquire an unanswerable weapon along with, in the best of cases, the possibility to blackmail NATO Europe and steer it away from America, were fortunately dashed.

One cannot repeat often enough that the nuclear arsenal in the hands of the United States and also of the United Kingdom and France is there in order to prevent war. Nobody in this world knows whether in time of war, nuclear devices will be used. My personal opinion is that it is rather doubtful but the peace movement plays on popular fears of a nuclear holocaust. It is very sad to reflect that this movement has adopted, hook, line and sinker, the Soviet thesis that the Soviet arsenal may remain but NATO is not allowed to have a credible response ready. What these people aim at, is really war promoting and NATO's decision of December 1979 is, in fact, peace preserving.

Another often heard fallacy is what is called the piling up of nuclear weapons on the part of NATO. This is absolutely untrue. There are far less nuclear devices in Europe than ten years ago and at the ministerial planning nuclear group's meeting in Montebello in Canada, in October 1983, it was decided to withdraw 1900 more tactical nuclear weapons from Europe without asking from the other side any similar move. Our military leaders were not very happy but they were resigned to this decision.



Furthermore, for every Pershing or Cruise missile installed, another missile already stationed in Europe will be withdrawn.

If I had laid down my function as Secretary General in NATO, let us say in April last year, I would have been rather pessimistic about the chances of preserving peace because it was then not certain whether deployment would really start but you will understand that now it has started, I am far less pessimistic and I am rather confident that we will preserve world peace because of the restoration of the credibility of our deterrent.

Finally, a word of warning after this note of cautious optimism. The Western and the Communist worlds will remain implacably opposed to each other so far as concerns the way they organize their societies, treat their citizens and conduct their relations with the rest of the world. Even when conditions are right for the institution of a broader and more constructive dialogue, the most that can realistically be expected is the creation of conditions in which tension can be better controlled. It will be vital for the Western world to remember this: for the Soviet Union will change only very gradually and over a very long period of time.

The watchwords must be patience and vigilance, together with the political will to assert and defend the West's common values and interests, and a readiness to do business whenever the Soviet Union demonstrates the same will. They will stand the Western world in good stead as the competition between the two systems proceeds. I am glad that the NATO Allies show every intention of acting in this sober and responsible manner.

## World Order: Arms and Alms

### I

Despite some evidence to the contrary, we live in a world remarkable for its sense of order and co-operation. Consider how, just to bring this conference together, collectively we probably involved several hundred international agreements relating to telecommunications, postal services, weather reporting, air travel, trade, immigration, and so on, agreements negotiated in good faith and put into effect with little fuss or disputation by a multitude of disparate governments overwhelmingly at peace with one another.

My compatriot and former colleague, Professor Hedley Bull of Oxford, wrote a book about this organized globe on which we live and called it, with typical challenge, *The Anarchical Society*. I submit to you that the world is far from being anarchical. It is also, unfortunately, still some distance from being that ordered and harmonious collection of contented, secure governments and peoples which we probably all believe we would like it to be.

My paper is concerned with two aspects of world order, or what the United Nations Charter calls "international peace and security". The first involves the extent to which the production, accumulation, trade and other traffic in military armaments contribute positively or negatively to world order. The second involves the extent to which economic aid and related factors also contribute positively or negatively to world order. Then finally, I wish to consider the proposition that the diversion of funds and effort from military force to economic development, from "arms to alms" is both desirable and possible.

The notion that the continued production of armaments makes it more likely that they will be used in anger, has an appealing simplicity. It is true that if no one had any arms, they could not be used; but to proceed from that obvious truth to hypotheses about arms races and their inevitable

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culmination in catastrophe is far more complex and uncertain. Let us look first at the nuclear sword of Damocles hanging over our heads. The quantity of nuclear explosive power now available to those states with nuclear weapons is almost—but not quite—beyond human comprehension. It is generally and rather loosely considered to be about a million times the explosive contained in the single bomb which incinerated Hiroshima 39 years ago, although to measure the comparative holdings of the United States, the Soviet Union, Britain, France and China is an extremely difficult process, not only because of official secrecy but because the various bases of comparison (number of missiles, throw-weight, explosive content, delivery systems, range and accuracy) will give you different answers. Other countries, notably India, Israel and South Africa, are sometimes referred to as probably or possibly having a clandestine nuclear capacity, but even less is known about them.

However much one may quite properly be horrified at this enormous destructive capacity and alarmed at the situations in which the use of nuclear weapons has been mooted, the plain fact is that in the period since August 1945 not a single nuclear weapon has been exploded against a hostile target. Further, the number of states holding such weapons has only inched forward—from 5 in 1964 to 6 or 7 today, 20 years later—even though knowledge of the simpler technologies is now virtually universal. One can make a case that the increasing sophistication of nuclear weaponry—what is called “vertical proliferation”—is not an incentive but a disincentive to using it, increasing the likelihood of greater damage if employed.

It is sometimes suggested that if one or other superpower were to gain a significant technological lead it would be likely to engage in a first strike against the other, or use its advantage to force political concessions. I do not find this argument convincing, so great already is the retaliatory capacity of both, and so equivalent are they in their research and development capabilities. Who could be sure that a real lead had been established, or know how long it would last, or what possible objective would be worth the deaths of two or three hundred million Russians or Americans? Similarly, although one can draw scenarios, it would seem to be most unlikely that we would see a situation in which Britain, France or China would resort to nuclear weapons except in ultimate self-defence. We can never wholly get rid of fear of an explosion by accident or miscalculation, but a lot of people are constantly devoting their considerable talents to preventing this happening.

Our distinguished visitors from Europe live much closer to these problems and dangers than do South Africans or other denizens of the Southern Hemisphere. Nevertheless, we do the cause of peace, of world order, a grave disservice if we declare that the nuclear arms competition between the superpowers must inevitably by some “law of averages” or of probability lead to conflict, or indeed that the competition has its own uncontrollable

momentum which will produce the same end result. These are hypotheses, beliefs. They are not demonstrable, and they are based on assumptions which involve the abdication of human reason and decision.

Even so, we cannot but deplore with every fibre of our being the great diversion of human and physical resources to so counter-productive an end. While the civilian spin-off from the nuclear weapons, missile and space programmes is considerably more than the much quoted teflon covering on frying pans, there is nevertheless a monumental waste of effort and treasure that can only be laid at the door of human folly, fears, suspicion, greed for power, political barrenness and diplomatic ineptitude. And so long as weapons exist there is always the possibility that they may be used, which could only be a calamity.

The nuclear weapons powers have been determined not to pass on their technology to other states, whether ally, friend, or potential enemy (but see below). In fact a good deal of such technology has leaked out of the West, despite such intentions by the nuclear weapons states. Within the Third World, only India has publicly demonstrated a nuclear weapons capacity; within all the developing world, only India and China. Neither of these has diverted a high level of resources to nuclear arms, and India has in fact denied it is producing such arms. Pakistan has moved some distance along the road to producing nuclear weapons, being currently restrained primarily by the United States. It has the means to use either the plutonium or the enriched uranium route, and does not have the full IAEA safeguards on its facilities that would go far to reassuring outsiders. It is reported to have had some help from China in its enrichment technology. Should Pakistan have a nuclear explosion, India would almost certainly begin (if it has not already begun) to produce nuclear weapons, and we would see a competitive escalation of nuclear power on the sub-continent. Can we assume that fear of retaliation would hold both states back from using such weapons? I believe the risk would be greatest in the early days of escalation, when neither could inflict unacceptable damage on the other. The fact that the two countries are neighbours, in effect cousins, and that there is an active ongoing territorial dispute over Kashmir with a strong racial/religious component, would seem to make it somewhat more likely that a nuclear weapon, if possessed, might be used. But fear of retaliation must be a major deterrent.

With one exception, I see no other situation in the Third World, in the rest of this century, where nuclear weapons are *likely* to be acquired or used. Brazil and Argentina are possible candidates, but one must hope that the absurdity and waste of competitive nuclearization will provide a compelling reason for neither to take the first step. Those who feel that South Africa could or should become a nuclear weapons power must ask themselves against whom such a weapon could possibly be used. If the answer is (as I believe) "nobody", then it is empty to consider political or military status as a

reason. A weapon you cannot use is no weapon. The one exception, of course, is Israel. Although it has carefully refrained from confirming or denying having a nuclear weapons capability, most analysts believe it has a small stockpile of untested weapons against the ultimate threat from Arab neighbours. When Iraq appeared to be developing a nuclear facility which could be diverted (though by a long and costly route) to military purposes, Israel destroyed the facility and if the situation arose again Israel would undoubtedly attempt to repeat the action. Armchair and some other strategists construct a scenario involving Libyan funds, Chadian uranium, and Pakistani technology to produce an "Islamic bomb" for use against Israel. The public evidence on this is as yet inadequate to confirm such a proposition.

We need to watch that we do not make the mistake many people make of equating the size of the damage a nuclear war would do, to the size of the likelihood that it will occur. They are related, but separate, issues.

My first conclusion therefore is that the nuclear arms race applies only to the superpowers at present, and even with them, or in lesser manifestations of nuclear arms potential in the Third World, we are unlikely to see world order disturbed by nuclear conflict during the rest of this century.

## II

Conventional arms are a horse of a very different colour. Ever-increasing quantities of arms<sup>1</sup> in ever increasing quality are spread around all but a tiny minority of states, and often also within states as rival national or sub-national groups contend for power. This is partly a function of the growth in the number of sovereign states: more than one hundred new ones since World War II. We may quite rationally be disturbed by this fact, and by the multiplicity of places where, at any given time, such arms are being used in anger, but let us not be too quick to indulge in blanket condemnations and hyperbolic idealism. Wherever he is, Khrushchev must still be laughing at the confidence trick he played on the rest of the world a quarter of a century ago when he invited Western and Third World governments to pursue the goal of General and Complete Disarmament. By now billions of words have been spoken and written, many thousands of position papers prepared, and countless hours of high-priced professional expertise devoted to inter- and intra-institutional manoeuvres and semantics, on a subject in which probably not one of the participants wholly believes. We all know that it is neither desirable nor possible to have complete disarmament, if only because of criminal elements in every society. We also know that some reduction and control on arms expenditure, accumulation and use is certainly desirable. The questions are where? how much? how?

Why do governments produce, buy or otherwise acquire arms?<sup>2</sup> There are many answers, and the mix will vary in each state and situation, but the

simplest is that government leaders have a perception of insecurity which they believe the possession of arms will alleviate or even remove. In fact, most governments act out of inertia, going on buying roughly the amount of arms bought by their predecessors for generations through the budgetary process. In any case, all governments and their electorates feel that the state must have the ultimate possession of the means of coercion against internal disorder, and to protect the country, its borders, populace, resources, trade, standard of living, way of life, etc, against external threats. That high proportion of states with authoritarian governments will inevitably feel the need for a military capacity to preserve the existing power structure, to keep the leadership in office. Paul Baran has taken this notion about as far as it can go:

The conclusion is inescapable that the prodigious waste of the underdeveloped countries' resources on vast military establishments is not dictated by the existence of an external danger. The atmosphere of such a danger is merely created and recreated in order to facilitate the existence of comprador regimes in these countries, and the armed forces that they maintain are needed primarily, if not exclusively, for the suppression of internal popular movements for national and social liberation.

Whether or not one would be quite as categorical as that, there is a great deal of evidence to support it. Of course it is not only in underdeveloped or Third World countries that politicians may use a real or contrived sense of external threat, and the consequent necessity to acquire more arms, to reinforce the government's tenure of office, or to enable the political opposition to justify a change of office. This after all is an old American custom (e.g. the "missile gap"), and has been known in other democratic states—Mrs Thatcher has reason to be thankful for the glorious hair's breadth victory in the Falklands war; but by depending for authority on the ballot box it is of a different order from the purchase of arms to subdue alternative claimants to office.

Governments may also acquire arms as part of a collective security system to which they are contributing. They may have a powerful and convincing military establishment which cogently presses for the arms they see necessary to protect the state. They may have a powerful military-industrial complex able to influence the political leaders.<sup>3</sup> They may be bribed by the representatives of the arms corporations. They may be persuaded by a foreign power, for its own ends, with inducements or threats; it may have surplus arms to give away or sell cheaply. The political leaders of a Third World country may see the armed forces as a way to instil a unity in the country; a common national identity among pluralistic sub-national groups; a sense of discipline and industriousness; a way to educate the illiterate and train skilled manpower on a national plan; a way to improve the civil infrastructure; a way to reduce the number of fractious urban unemployed.

Governments may arm themselves also in order to demonstrate a capacity to protect expatriates or tribal relatives in neighbouring states. They may arm themselves for purposes of national prestige or bargaining power, to reinforce and back-up diplomatic endeavours. They may arm themselves in order to beat up their neighbours and acquire territory or other assets. Some ex-colonial countries acquired arms because they believed that the departing metropolitan power left them with an inadequate military establishment. One reason for an increase in the total quantity of arms is that, by perverse logic, in most of the colonial countries far less force was required by the imperial government than came to be required by the indigenous government that succeeded it.

Clearly some of these reasons or rationalizations are more acceptable than others to the objective outside observer (if such a being exists). There are grounds for criticism of producers, suppliers and recipients of arms. Curiously enough, most public criticism is reserved for the suppliers of arms to other countries, not the recipients who willingly receive or may even vehemently demand them. The supplier is assumed to have wicked motives and to engage in corrupting practices. The United States is the prime target of such condemnation. While one hesitates to say such criticism (whether of supplier or recipient) is wholly subjective, there must be a strong subjective element, a judgement about whose interests are being served, and about how large a military establishment is "needed" to maintain internal and external security, the assumption being that this requirement must always take top national priority. Arms must always be an economic burden, but (to take the worst case) subjugation to a hostile external power would presumably be worse, economically and in every other respect. The sellers of arms may be condemned for the foreign policy of which arms sales are a part, but in many cases the sales are simply to make money, to improve the home employment situation and the balance of payments.

For the purpose of this paper, we cannot become involved in 150 case studies, and are concerned with arms as contributing positively or negatively first to world order, and second (in the fourth section) to world living standards.

Undoubtedly the gross expenditure on arms on this planet is an immense burden, often imposed on populations suffering all kinds of privations, sometimes including massive starvation. On average over the past 30 years, about seven per cent of the world's resources (total of gross national products) have been devoted to armaments.<sup>4</sup> The SIPRI 1983 Yearbook,<sup>5</sup> with a great deal of imputation, inspired guessing and (dare one say?) political judgement, lists world armaments expenditures calculated at constant 1980 prices in US dollar equivalents as rising from \$473,8 billion in 1973 to \$618,7 billion in 1982, an increase of 30 per cent in nine years. Of these, the NATO states increased from \$240 billion to \$285 billion (19 per cent), the Warsaw

Treaty Organization from \$128 billion to \$148 billion (15 per cent), the Middle East from \$19,7 billion to \$53,3 billion (169 per cent), and non-oil developing countries from \$28,5 billion to \$50,8 billion (80 per cent). The *IISS Military Balance* figures are in places significantly different (the journal confuses us further by indicating the wide variations between different Western analyses) but we can probably accept the general trends.

Very few of the developing countries have armaments industries of any significance, and accordingly they are compelled to buy whatever arms they want, or obtain them as foreign aid. The four tables on arms transfers attached to this paper are taken from the most recent (May 1984) research paper of the US Library of Congress,<sup>6</sup> and are thus based on unclassified American government figures. One should note the difference between arms *agreements* and arms *deliveries*, and between costs at fixed and at current prices.

The tables indicate, as we are aware, that the superpowers are the main suppliers of arms to the rest of the world, and each provides about a third of the arms acquired by the Third World. The balance between them has shifted a little over time towards the United States. France has become the other major supplier during the past three years. A total of \$110 billion worth of arms has been delivered to the Third World in the past three years, and \$182 billion in the past six (at current US prices). For obvious reasons (two wars) Middle Eastern countries have received a high proportion of the arms transfers.

The extent to which economics as much as politics influences decisions to supply arms is indicated in the SIPRI 1984 Yearbook table of resupply and support to Iran and Iraq during 1980–1983. Some 18 countries have supplied major weapons to Iraq, 17 to Iran. Of these, ten have supplied both sides: USA, USSR, China, France, Italy, United Kingdom, (East) German Democratic Republic, Switzerland, the Democratic People's Republic of (North) Korea, and Brazil.<sup>7</sup> (In some cases, arms may be supplied without official sanction, but presumably if SIPRI knows about it the relevant government also knows about it.)

The arms supply situation in the Iran–Iraq war indicates the problem of correlating arms supplies with political influence, although the fact that ten countries have supplied both sides does not negate the concept, as to supply one side and not the other may do more damage to one's overall influence than to supply both, whether or not the arms supplied are equivalent. One might assume that the intention of the supplying government is to obtain influence, or in other ways to further its own national interests. Even this is by no means always demonstrable. The cash register can have a more powerful ring than strategic advantage. Before and during World War II, Western multinationals went on providing arms and technology to Germany. More recently, Japan supplied the USSR on credit with an 80 000-ton dry dock capable of servicing the aircraft carriers that shifted the strategic



balance in the Western Pacific against Japan and the United States.

At times a major or super power has acquired a strategic or political advantage from a military aid programme, or denied such an advantage to a competitor, but overall neither the US nor the USSR has done very well out of such programmes. The US is believed to have spent \$30 billion on the war in Vietnam. The USSR spent far less, but in this case, its aid enabled North Vietnam with a better strategy and stronger local support to win. Soviet aid to Indonesia gave it nothing more lasting than a massive unpaid debt. Soviet aid to Egypt and other Arab states has not enabled them to defeat Israel, nor the USSR to control the Arab states' policies. The difference between the effectiveness of US-backed Israel and the Soviet-backed Arab states lay less in the quality or quantity of the arms provided than (a) in the combat capacity and will of the two sides and (b) in the fact that no US government can afford to allow Israel to go under. American military aid to Pakistan, Thailand and Taiwan has had very mixed results, as indeed has aid to the countries of Central and South America. Soviet and Cuban aid to Ethiopia, including military commanders, enabled it to defeat Somalia in the irredentist border war, but has not enabled Ethiopia to control Eritrea or to defeat the insurgency in Tigre and elsewhere. Soviet and Cuban aid to Angola prevented the MPLA government from being defeated by UNITA and its allies including South Africa, but has not enabled FAPLA to gain control of the country.<sup>8</sup>

One can think of many more examples where military aid provides no proportionate response of gratitude, military effectiveness, or furtherance of the donor's interests. The competitive provision of arms by the industrialised countries to the Third World has guaranteed a demand for increasingly sophisticated and therefore increasingly expensive weaponry. Not only do the weapons themselves cost more, but so do the technical servicing, spare parts and base facilities. This places an added strain on the recipient country's economy. But has the increased supply of arms led to an increased *use* of arms? A study published in Budapest in 1972<sup>9</sup> shows a remarkable correlation between defence expenditure (including grant aid), imports of major weapons, and the duration of warfare engaged in by countries in Asia, Africa and Latin America. This is not particularly surprising; indeed, it would be surprising if there were not such a correlation. What the analysis and graphs do not prove is where the causality lies, i.e. whether the arms imports produced or were produced by the conflict, or what caused the tension that led to conflict. One *can* say, with confidence, that the imported arms made it easier for the importing country to inflict greater damage; one cannot without a careful analysis of each case say what caused the tension that led to conflict, or whether the war would have been shorter or longer or more effectively waged because of arms acquired.

A recent critique, by US Democratic Party Policy Committee staff, of the

arms transfer policy of the Reagan administration<sup>10</sup> declared that:

- (1) Arms sales to the Third World do not automatically create shared interests;
- (2) The dramatic increase in the level of sophistication of arms being transferred increases the risk that US technology will be compromised or used against it or its allies;
- (3) The inability of developing countries to absorb high cost military hardware undermines economic growth, siphoning precious human resources away from the already burgeoning social needs of their populations;
- (4) The quantity and quality of weapons being transferred to developing countries has the potential for promoting regional arms races, creating greater instability and increasing the likelihood that the recipients will respond to political problems with military solutions; and
- (5) The arms sales policy runs counter to current US legislation and encourages the Administration to abdicate its proper role of seeking to resolve conflict by negotiations.

The first three of these are logical. The fourth has some logic to it, and we may feel in our bones that it is true. We can all think of country after country that has launched military operations against external or internal elements, using the weapons it has acquired by trade or aid. We can think of country after country where an external power has helped the government, or a resistance movement, with arms. But it is hazardous to go from there to general propositions applicable in a majority of particular cases. About all we can conclude is:

- (a) Many countries have sizable but not unreasonably large armed forces which they never use unless seriously provoked;
- (b) Money spent on arms *cannot* be spent on more socially beneficial causes, although there is always some civil "spin-off";<sup>11</sup>
- (c) Competitive escalation of armed forces between two countries doubles this "opportunity cost" in human terms;
- (d) As most wars are fought between neighbours, an equivalence of arms at whatever level is less likely to produce conflict than is an obvious imbalance;
- (e) The quantity and sophistication of arms held are functions of the damage they will do, but not necessarily—certainly not as directly—functions of the likelihood that they will be used; and
- (f) The higher the level of arms in time of peace, the more likely it is that authoritarian forces—and, within such forces, usually the army—will exercise political power, and the more able is a government to use military force against domestic elements.

### III

It is not proposed in this section to provide a digest of the hundreds of books and many thousands of reports and articles about the economic difficulties of the Third World and the role of foreign aid in alleviating them. It is common ground that, in general terms, the gap between the rich and poor nations gets steadily wider, as does the gap between rich and poor within developing countries.

Table 5 attached shows the proportional composition of financial inflows by (a) economic aid from the Development Assistance Committee of the OECD, the OPEC countries, the CMEA countries and multilateral agencies, and (b) international funding by private sector grants and non-concessional arrangements (commercial loans etc).<sup>12</sup> Table 6 gives total amounts of Official Development Assistance 1970-1982. These tables show that, as distinct from military aid, Western industrial powers have provided the overwhelming proportion of economic and technical assistance to the Third World, rising from about 65 per cent in 1975 to 75 per cent in 1982. They are certainly in a much better position to do so, but they have also clearly decided that aid is related to the needs of the recipient as well as to the foreign policy interests of the donors. Due to declining oil prices and revenues, the OPEC countries' proportion has fallen from 29 per cent in 1975 to 18 per cent in 1982. The communist bloc (CMEA) proportion has stayed at around 6-7 per cent, more than three-quarters of which is provided by the USSR, and about 10 per cent by the German Democratic Republic. Further, CMEA aid has increasingly concentrated on friendly recipients, 87 per cent of all disbursements going to Afghanistan, Cuba, Kampuchea, Laos and Vietnam.<sup>13</sup> Much of the OPEC aid has been in the form of concessional assistance to friendly non-oil producing states, most notably Egypt, Morocco, Somalia and the Sudan.

As indicated earlier, we are concerned in this paper less with the effectiveness of economic aid in helping poor countries and peoples, than with the implications of foreign aid programmes for world order.<sup>14</sup> It is not always easy to separate military and civil aid.

Perhaps Soviet bloc policy gives the most direct evidence of a connection between the two. However one may impute the relevant policy initiatives, Vietnam could not have engaged in its invasion and occupation of Kampuchea, nor Cuba in its operations in Africa, had they not received massive economic as well as military aid from the USSR. In both cases, there has been a clear strategic return to the Soviet Union in the form of access to former American bases in Vietnam, and to the Dahlak archipelago in the Red Sea where facilities are being built. Angola has given a less demonstrable return either for military or civil aid: Soviet military aid has enabled the MPLA to survive, but its civil aid has left no marks on an economy

demonstrably in ruins, and despite the use of Luanda the USSR does not yet have access to a sizeable naval facility in the South Atlantic.

The diversity and pluralism of Western and other aid programmes reduce the extent to which they can be used to further national policies. In India, Bangladesh, Egypt and the Sudan, 30 different official bilateral or multilateral donor countries or institutions operate; in Kenya, Lesotho, Sierra Leone, Sri Lanka and Indonesia, 29 operate. Many other states have about this number. The tiny Cape Verde islands have 24 official donors working alongside, around and across each other, while Tonga, with a total area of 270 sq miles and a population of around 100 000 has 16.<sup>15</sup> In addition there is often a bundle of non-governmental aid organizations — Oxfam, the International Red Cross, the Society of Friends, World Vision, etc.

There is no doubt that individual donor countries will seek to ensure a political return for aid provided; some will want to punish, by aid withheld, a recalcitrant Third World state. Vulnerable governments are conscious of this aspect, and there are many cases where they have responded to such pressure, usually positively, sometimes negatively, but rarely to the extent desired, and rarely in a way that damaged world order. In Africa, Asia and Latin America, it is widely realized not only that the eastern bloc is a poor prospect for civil aid but that as an example of economic and political organization it also leaves much to be desired. This realization has turned the Third World from a strategy of playing the eastern and western blocs off against each other (a strategy perfected by India) to one of beating angrily and importunately on Western doors, appealing to social consciences and post-imperial guilt feelings.

As the years have rolled on, guilt feelings have largely disappeared, social consciences have been strained from repeated massage and attenuated by economic recession, and a far greater professionalism among aid donors has aroused political obstacles to aid both in the donor and in the recipient countries. The first Brandt Commission report<sup>16</sup> discussed these obstacles but not how to remove them other than by educational processes and greater dialogue. The obstacles in the North—the donor countries—are partly political, a reluctance to make economic sacrifices on behalf of authoritarian governments which have unhelpful foreign policies. Some recipients save on foreign aid in order to buy arms from elsewhere. Some may not be prepared to change economic policies in accordance with the philosophy of the donors, or social policies (e.g. on family planning) that may consume the aid without improving the lot of the people. Some undoubtedly use the aid to enrich the political leadership. Obstacles to aid in the recipient countries may involve a lack of expertise in assimilating it, and no tradition of responsible fiduciary control. Some developing country governments believe that where the donor country or institution imposes conditions on aid—even simple rules of economic management—this infringes

on their sovereignty and political independence. Some object to lectures about human rights. Some are unable or unwilling to engage in give-and-take dialogue which contemporary aid programmes demand.

All this appears relevant to world order, not because a recipient country is likely to get so angry with the donor as to threaten to break the peace between them, but because only if aid is effectual will it improve living standards, and there is a widespread assumption that low living standards provoke social tensions and thus breaches of internal and perhaps external security. The evidence on this is quite inconclusive. In the early days of international aid-giving after World War II, Western governments and electorates tended to assume that aid would lead to higher standards of living and people with higher standards of living were less likely to indulge in "militant communism". We now know this proposition to be excessively simplistic on both counts. By no means is all aid positively helpful,<sup>17</sup> and a great many communists are middle class people. There is also a dictum of conventional wisdom favouring aid programmes, to the effect that dictators are prone to divert the attention of a populace from domestic troubles (e.g. poverty) to external military adventures. There are no doubt cases where this has occurred—Indonesia under Sukarno is probably one example, Argentina under Galtieri may be another—but a country too poor to look after its people will usually also be too poor to fight a war, or fight it for long, and the motive for most military ambition is not to entertain or divert the masses but to acquire territory, power and glory. It is the wealthy industrialized country that is most *able* to engage in war, although some Third World countries do so with hired arms, or find themselves the battleground for competing interventionary powers.

Many proponents of foreign aid programmes work for and hope to see collective attitudes developed, a climate of consciousness and a network of institutions and processes that will launch an interdependent global economic recovery programme that will be conducive to world peace. This philosophy lay behind the second Brandt report so that "no single problem, energy or debt or food, for example, would be viewed in isolation without considering its direct implications on the full global agenda of interconnected issues".<sup>18</sup> Here, in a sense, is Wendell Wilkie's "One World" but we have a long way to go before that is achieved. Prosperity and peace remain eminently divisible. Most people, regrettably, are not "involved in mankind". Aid programmes provide only a fraction of what is needed, and the bell still tolls for the poor, the weak, the starving, the sick. The links between development and security, between alms and peace, remain tenuous, *ad hoc*. But this is not the question the world is asking. The question the world is asking is whether there is a way of shifting at least some of the massive expenditure on armaments, with their capacity for destroying human lives, to the processes of economic development and the saving and enrichment of human lives.

It all seems rather simple and demonstrably so desirable. All you have to do is to persuade people to give just a small proportion of their arms expenditure to foreign aid purposes, and remarkable things can be achieved. Willy Brandt wrote in his first report in 1980:

- (1) The [world] military expenditure of only half a day would suffice to finance the whole malarial eradication programme of the World Health Organization, and less would be needed to conquer river blindness, which is still the scourge of millions.
- (2) A modern tank costs about one million dollars; that amount could improve storage facilities for 100 000 tons of rice and thus save 4 000 tons or more annually; one person can live on just over a pound of rice a day. The same sum of money could provide 1 000 classrooms for 30 000 children.
- (3) For the price of one jet fighter (20 million dollars) one could set up about 40 000 village pharmacies.
- (4) One-half of one per cent of one year's world military expenditure<sup>19</sup> would pay for all the farm equipment needed to increase food production and approach self-sufficiency in food-deficit low-income countries by 1990.<sup>20</sup>

There has been no shortage of attempts to assess the possible links between economic development and defence. In 1962, the United Nations issued a report, *The Economic and Social Consequences of Disarmament*,<sup>21</sup> proposing the diversion of a fraction of military expenditure to development in the poor countries. This was endorsed by a UN expert report in 1972, *Economic and Social Consequences of the Arms Race and of Military Expenditure*,<sup>22</sup> and by another entitled *Disarmament and Development*,<sup>23</sup> although the latter (p. 22) pointed out that fundamentally disarmament and development are separate, and "national and international efforts to promote development should neither be postponed nor allowed to lag merely because progress in disarmament is slow".

A recent American analysis has dismissed the notion that funds not spent on arms would be spent on aid:

The conviction of a synergy between disarmament and development has been a cherished notion among 20th century advocates of world disarmament. Yet the relationship has never been more than predicated, much less proved. There is very little evidence that variations in arms expenditure can be linked to the larger economic life of society, outside marginal impact in specific and limited industrial sectors. Beyond the domestic consequences of arms limitations, the translation of government spending from one budget sector to another, as military budgets are reduced, has had no impact on patterns of external relationships between states. Development aid is a function of political decisions, not of reductions in military out-lays.<sup>24</sup>

In historical terms, this is correct. It is for that reason that people want to

see change, to make the linkage which political decision makers have hitherto eschewed.

The most recent major study on this subject, seminal in its impact on thinkers, at best marginal so far in its impact on governments, has been the *UN Report of the Group of Governmental Experts on the Relationships between Disarmament and Development*, transmitted to the Secretary-General in September 1981.<sup>25</sup>

The Report pointed out (para 36) that, at that time (1980), *per capita* income in the industrial, developed countries exceeded that in the developing countries, on average, by a factor of 12; that hundreds of millions of people exist in such conditions of acute poverty that the phrase "standard of living" is quite inappropriate. It quoted World Bank estimates that there were 570 million people malnourished, 800 million illiterate, 1 500 million who had little or no access to medical services, 250 million children who did not go to school. "Yet, each year for the past 30 years, states have collectively allocated 5 to 8 per cent of the world's disposable resources to armaments", roughly equivalent to the fixed capital investment in all the developing countries combined. The size of the arms bills is alarming enough; the continuing increase can only be seen as appalling.

So what is to be done? as Lenin once asked. The Report, bearing the prints of a variety of political thumbs, is preoccupied with persuading governments that there *is* a direct connection, if only they will make it, between what is spent on arms and what could be spent on development—not just through aid (alms) to the Third World but through a whole range of economic measures. Unfortunately most governments, especially the big spenders, don't see it that way. The Report throws the responsibility for change overwhelmingly on the superpowers. It puts first priority on nuclear disarmament, even though this involves only a fraction of total arms costs and directly affects only a handful of governments. It sees disarmament as having a catalytic effect on East-West détente. This puts the cart before the horse. It urges "Governments" to come clean on their military expenditure, and encourages the pursuit of studies on the *social* cost of armaments, and the value of converting resources involved in arms production into ones capable of helping the poor. It recommends, with a good deal of equivocation, that an "international fund for development" be established, or be considered, or be thought about until the next inquiry gets under way.

All this, alas, adds up to not very much, certainly to not enough. It ignores the political factors in decisions about arms and alms, the political bases to tension, the political adjustments necessary between most groups of nations. One can easily and rationally condemn the industrialized powers for selling or giving away so many arms, usually with little concern about the consequences, and for not adjusting economic policies to meet Third World capital and export needs, for not providing more effective economic aid; but

to change attitudes and policies will require psychological effort not yet mobilized and institutional processes not yet devised. And where are arms actually being used in anger? Where is the world in *disorder*? The confrontation in Europe, gunbarrel to gunbarrel though it may be, is comparatively stable, and not at a very high level; and any destabilizing of the two systems at the moment stems from the two Germanies seeking to live more co-operatively with each other! If one looks around the globe, actual conflicts are almost wholly within the Third World countries or between Third World neighbours, sometimes with major power intervention, sometimes not. Even South Africa — in some respects a developed country, in others gravely under-developed — has fallen into this same quagmire, devoting a considerable portion of its trained resources to combating what is fundamentally an internal “enemy”, an internal situation.

By all means let the industrialized world be encouraged to reduce its level of armaments and expend greater energies on worthier causes; but if we are really concerned with world order, with avoiding or resolving war as well as alleviating poverty, let us start simultaneously with a far greater effort at resolving incompatibilities of foreign *political* policies *wherever they occur*, including in the multitude of Third World states which are consuming their patrimony in conflict, or engulfing the aid given to them with a flood of new mouths to be fed. Forty years of international aid giving has taught us that we must not expect too much from it: in most cases alms can only alleviate, not eliminate, a problem. Similarly, arms may exacerbate a conflict, or dampen it, but an excess or deficiency of arms cannot get rid of the underlying tensions or ambitions. To alleviate or eliminate *those*, we must either devise new mechanisms or make far better use of the mechanisms we have.



TABLE 1

Arms Transfer Agreements with the Third World, by Supplier<sup>1</sup>.  
(In millions of current US dollars.)

	1976 <sup>2</sup>	1977	1978	1979	1980	1981	1982	1983
Non-communist								
Of which:								
United States	12,493	5,670	5,812	9,812	9,468	4,518	14,901	9,528
France	1,040	3,070	1,970	4,125	8,295	1,655	8,455	1,185
United Kingdom	500	1,410	2,520	1,270	2,140	1,980	1,325	745
West Germany	725	1,225	2,510	875	795	1,770	455	175
Italy	360	1,035	1,400	610	2,875	360	1,185	1,455
Other	1,380	1,230	1,435	2,155	4,285	6,260	3,575	4,740
Total non-communist	16,498	13,640	15,647	18,847	27,858	16,543	29,896	17,828
Communist								
Of which:								
USSR	6,550	10,075	3,570	9,815	16,040	7,935	12,575	4,165
Other	1,215	935	1,385	1,115	2,310	7,030	4,325	2,680
Total Communist	7,765	11,010	4,955	10,930	18,350	14,965	16,900	6,845
Grand total	24,263	24,650	20,602	29,777	46,208	31,508	46,796	24,673
* Dollar inflation index (1983 = 100)	57	61	65	70	78	88	96	100

\* Based on Department of Defense Price Deflator (minus pension funds).

<sup>1</sup> US Data are for fiscal year given (and cover the period from July 1, 1975 through September 30, 1983). US agreement figures reflect those sales consummated during the fiscal year indicated. Foreign data are for the calendar year given. Statistics shown for foreign countries are based upon estimated selling prices. All prices given include the values of weapons, spare parts, construction, all associated services, military assistance and training programs. US commercial sales contract values are excluded, as are MASF (Military Assistance Service Funded) related grant transfers to South Korea and Thailand. The values of these latter transfers were \$11,000,000 in FY1979; \$132,000,000 in FY1980; \$100,000,000 for FY1981, \$130,000,000 in FY1982. All data reflect termination of sales contract. The value of Iranian contracts cancelled but not included in the US data above are as follows: FY1976 and transitional quarter (\$236,000,000); FY1977 (\$2,953,000,000); FY1978 (\$1,673,000,000); FY1979 (\$6,000,000). Third World category excludes Warsaw Pact nations, NATO nations, Europe, Japan, Australia and New Zealand.

<sup>2</sup> US Data for FY1976 includes the transitional quarter (FY 1977).

Source: US Government, in Grimmert, *Trends in Conventional Arms Transfers*, p. 16.

**TABLE 2**  
**Arms Deliveries to the Third World, by Supplier<sup>1</sup>.**  
(In millions of current US dollars.)

	1976 <sup>2</sup>	1977	1978	1979	1980	1981	1982	1983
<b>Non-communist</b>								
Of which:								
United States	4,645	5,931	6,571	6,445	4,979	6,011	7,547	9,684
France	970	1,050	1,755	1,445	2,665	3,805	2,920	3,025
United Kingdom	575	805	1,140	920	1,580	2,280	1,500	665
West Germany	515	655	660	755	980	1,030	400	865
Italy	195	350	760	620	625	1,015	970	770
Other	835	1,075	1,250	1,730	1,790	2,885	4,505	1,525
<b>Total non-communist</b>	<b>7,735</b>	<b>9,866</b>	<b>11,136</b>	<b>11,915</b>	<b>12,619</b>	<b>17,026</b>	<b>17,842</b>	<b>16,524</b>
<b>Communist</b>								
Of which:								
USSR	3,445	5,065	7,195	10,875	9,540	8,730	9,945	7,825
Other	825	730	1,195	1,045	1,300	2,470	3,750	2,105
<b>Total Communist</b>	<b>4,270</b>	<b>5,795</b>	<b>8,390</b>	<b>11,920</b>	<b>10,840</b>	<b>11,200</b>	<b>13,695</b>	<b>9,930</b>
<b>Grand total</b>	<b>12,005</b>	<b>15,661</b>	<b>19,526</b>	<b>23,835</b>	<b>23,459</b>	<b>28,226</b>	<b>31,537</b>	<b>26,454</b>
* Dollar inflation index (1983 = 100)	57	61	65	70	78	88	96	100

\* Based on Department of Defense Price Deflator (minus pension funds).

<sup>1</sup> US data are for fiscal year given (and cover the period from July 1, 1975 through September 30, 1983). Foreign data are for the calendar year given. Statistics shown for foreign countries are based upon estimated selling prices. All prices given include the values of weapons, spare parts, construction, all associated services, military assistance and training programs. US commercial sales delivery values are excluded, as are values of MASF (Military Assistance Service Funded) related grant transfers to South Korea and Thailand. The values of these latter transfers were \$11,000,000 in FY1979; \$132,000,000 in FY1980; \$100,000,000 in FY1981; \$130,000,000 in FY1982. Third World category excludes Warsaw Pact nations, NATO nations, Europe, Japan, Australia, New Zealand.

<sup>2</sup> United States data for FY1976 include the transitional quarter (FY197T).

Source: US Government, in Grimmect, *Trends in Conventional Arms Transfers*, p. 22.

TABLE 3

Regional Arms Deliveries by Supplier, 1976-1983.  
(In millions of current US dollars.)

	East Asia/Pacific		Near East/S. Asia		Latin America		Africa (Sub-Saharan)	
	'76-79	'80-83	'76-79	'80-83	'76-79	'80-83	'76-79	'80-83
Non-communist								
Of which:								
United States	2,651	4,413	20,215	22,940	476	529	250	349
France	105	335	3,760	9,925	680	1,390	675	765
United Kingdom	345	440	2,315	4,775	620	350	160	450
West Germany	130	220	1,610	1,575	375	990	470	490
Italy	85	265	1,260	1,725	285	950	295	440
Other	795	1,865	2,020	6,355	1,045	1,910	1,030	575
Total non-communist	4,111	7,538	31,180	47,295	3,481	6,119	2,880	3,069
(Major West European)*	665	1,260	8,945	18,000	1,960	3,680	1,600	2,145
Communist								
Of which:								
USSR	2,575	4,410	18,895	24,600	1,920	3,160	3,190	3,870
Other	245	390	2,820	8,450	5	215	725	570
Total Communist	2,820	4,800	21,715	33,050	1,925	3,375	3,915	4,440
Grand total	6,931	12,338	52,895	80,345	5,406	9,494	6,795	7,509

\* Major West European category includes France, United Kingdom, West Germany, Italy.  
Source: Grimmitt, *Trends In Conventional Arms Transfers*, p. 25.

TABLE 4  
Numbers of Weapons Delivered by Major Suppliers to the Third World<sup>1</sup>.

Weapons Category 1976-1979	United States	USSR	Major Western European <sup>2</sup>
Tanks and self-propelled guns	3,121	6,165	725
Artillery	2,179	7,000	1,190
APCs and armored cars	6,893	7,650	2,920
Major surface combatants	25	21	28
Minor surface combatants	36	85	161
Submarines	3	5	17
Supersonic combat aircraft	713	1,625	240
Subsonic combat aircraft	309	310	15
Other aircraft	736	255	475
Helicopters	271	610	940
Guided missile boats	0	45	14
Surface-to-air missiles (SAMs)	4,959	6,745	1,550
1980-1983			
Tanks and self-propelled guns	2,679	4,200	420
Artillery	2,351	5,700	790
APCs and armored cars	6,743	6,350	2,260
Major surface combatants	18	24	43
Minor surface combatants	43	87	132
Submarines	0	6	7
Supersonic combat aircraft	403	1,575	230
Subsonic combat aircraft	133	80	140
Other aircraft	163	265	370
Helicopters	151	790	630
Guided missile boats	0	33	29
Surface-to-air missiles (SAMs)	3,435	6,735	1,325
1976-1983			
Tanks and self-propelled guns	5,800	10,365	1,145
Artillery	4,530	12,700	1,980
APCs and armored cars	13,636	14,000	5,180
Major surface combatants	43	45	71
Minor surface combatants	79	172	293
Submarines	3	11	24
Supersonic combat aircraft	1,116	3,200	470
Subsonic combat aircraft	442	390	155
Other aircraft	899	520	845
Helicopters	422	1,400	1,570
Guided missile boats	0	78	43
Surface-to-air missiles (SAMs)	8,394	13,480	2,875

<sup>1</sup> Third World category excludes Warsaw Pact nations, NATO nations, Europe, Japan, Australia and New Zealand. US data are for fiscal years given (and cover the period from July 1, 1975 through September 30, 1983). Foreign data are for calendar years given.

<sup>2</sup> Major Western European includes France, United Kingdom, West Germany, and Italy totals as an aggregate figure.

Source: US Government, in Grimmett, *Trends in Conventional Arms Transfers*, p. 28.

TABLE 5

Composition of External Financial Receipts of Developing Countries.  
By Type of Flow 1970-1982.

<i>Net disbursements</i>	<i>Percentage shares in total receipts.</i>												
	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Official Development Assistance	40.6	42.2	41.1	36.9	43.9	36.0	33.8	31.2	32.0	36.9	37.6	34.2	34.7
(a) DAC bilateral	28.5	28.6	27.1	21.0	22.0	17.6	16.0	15.2	15.2	19.0	18.3	17.2	17.9
(b) OPEC countries, bilateral	2.0	2.0	2.7	6.0	11.1	10.2	8.7	6.4	8.0	8.1	8.8	7.2	—
(c) CMEA countries, bilateral	4.8	5.7	5.6	4.0	3.4	1.3	1.8	1.6	1.4	2.1	2.2	2.0	2.1
(d) Other countries, bilateral	—	—	—	—	—	0.1	0.7	0.5	0.5	0.4	0.4	0.4	0.4
(e) Multilateral agencies	5.4	5.9	5.7	5.8	7.5	6.9	6.5	7.3	6.9	7.3	7.9	7.4	8.1
<i>of which: OPEC financed</i>	—	—	—	—	0.3	0.3	0.7	1.7	1.1	0.3	0.3	0.4	—
Other resource flows:													
Private sector grants	4.3	4.1	4.3	4.1	3.3	2.4	2.3	2.2	1.9	2.3	2.3	1.9	2.0
Non-concessional flows	55.1	53.7	54.6	59.0	52.8	61.6	63.9	66.6	66.1	60.8	60.1	63.9	63.3
(a) Multilateral agencies	3.5	4.2	4.1	3.9	4.8	4.5	4.3	4.0	3.6	4.8	4.9	5.4	5.7
(b) Direct investment	18.6	15.0	17.4	14.0	5.0	20.4	14.0	14.8	13.4	15.7	10.7	15.2	14.0
(c) Bank sector	15.1	15.0	19.7	28.8	26.7	21.5	25.3	23.3	26.4	22.9	23.3	22.6	17.7
(d) Bond lending	1.5	1.4	2.1	1.7	0.7	0.8	2.1	4.8	4.5	0.8	1.4	1.9	—
(e) Private export credits	10.5	12.3	5.9	3.4	6.4	7.9	11.4	13.3	11.2	10.3	11.2	10.7	13.4
(f) Official export credits	3.0	3.2	3.0	3.4	2.1	2.2	2.3	2.2	2.6	2.0	2.5	1.9	—
(g) Other	2.9	2.6	2.3	3.7	7.0	4.3	4.5	4.1	4.4	4.3	6.1	6.3	6.4
Total receipts	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: *Development Co-operation* 1983 Review, p. 180.

TABLE 6

Official Development Assistance: Absolute Amounts 1970-1982.  
(Million US Dollars, 1981 prices and exchange rates<sup>a</sup>.)

*Net disbursements*

	1970	1975	1979	1980	1981	1982
<b>DAC countries</b>						
Netherlands	627	870	1,318	1,373	1,510	1,488
Norway	118	292	500	480	467	567
Sweden	312	858	1,027	884	919	1,132
Denmark	172	277	404	418	403	440
France	2,735	2,982	3,375	3,622	4,177	4,349
Belgium	334	512	556	492	575	570
Germany	1,683	2,323	3,005	2,992	3,181	3,241
United Kingdom	1,662	1,823	2,734	1,802	2,191	1,931
Canada	748	1,253	1,257	1,153	1,189	1,113
Australia	670	853	783	733	650	894
Austria	34	117	122	152	313	355
New Zealand	40	110	75	75	68	67
Japan	1,618	1,975	2,826	3,544	3,171	3,349
Finland	22	72	99	106	135	148
Switzerland	127	173	197	229	237	244
United States	6,624	6,411	5,576	7,793	5,782	7,745
Italy	377	274	283	605	665	824
<b>Total DAC</b>	<b>17,904</b>	<b>21,175</b>	<b>24,137</b>	<b>26,453</b>	<b>25,634</b>	<b>28,458</b>
Other OECD	—	(46)	212	194	276	286
<b>OPEC countries</b>						
Saudi Arabia	446	4,214	4,485	5,764	5,664	4,556
Kuwait	381	1,446	1,028	1,106	1,154	1,332
UAE	n.a.	1,599	1,026	882	811	579
Iraq	10	329	896	850	148	—
Qatar	n.a.	517	304	261	248	257
Other	188	1,434	532	536	441	275
<b>Total OPEC</b>	<b>1,026</b>	<b>9,540</b>	<b>8,271</b>	<b>9,399</b>	<b>8,466</b>	<b>6,999</b>
<b>CMEA countries</b>						
USSR	1,977	1,564	1,604	1,781	1,841	1,903
GDR	88	54	221	191	215	206
Eastern Europe, other	472	295	316	354	355	381
<b>Total CMEA</b>	<b>2,537</b>	<b>1,913</b>	<b>2,141</b>	<b>2,336</b>	<b>2,411</b>	<b>2,490</b>
Other donors	—	683	292	236	211	193
<b>Total above</b>	<b>21,467</b>	<b>33,357</b>	<b>35,053</b>	<b>38,618</b>	<b>36,998</b>	<b>38,426</b>

(a) Deflated by GNP deflator, including the effect of exchange rates.

Notes: 1970 and 1975 data exclude administrative costs for all countries with the exception of the United States.

DAC countries are ranked according to their performance *vis-à-vis* the GNP target in recent years.

Source: *Development Co-operation* 1983 Review, p. 186.

## Notes

1. The only statistics certain to be more misleading than aid statistics are those concerning arms holdings, sales etc, the reason being that governments usually want people to know about their aid programme but not about arms. Even for experts, the calculation of comparative costs is also fraught with hazards. The figures in this paper are mainly taken from *World Armaments and Disarmament, SIPRI Yearbook 1984*, Stockholm International Peace Institute; Richard F. Grimmett, *Trends in Conventional Arms Transfers to the Third World by Major Suppliers, 1976-1983*, Library of Congress, Congressional Research Service Report no. 84-82F; and *The Military Balance 1983-84*, London, International Institute for Strategic Studies.
2. David K. Whynes, *The Economics of Third World Military Expenditure*, Austin, University of Texas Press, 1979, p. 12, lists the following seven rationales for defence spending, in order: security, internal repression, inefficiencies of the budgetary process, existence of a military-industrial complex, the vested interests of the military establishment, the needs of ideology and national identity, and imperialism.
3. In 1974 when India exploded its first and (so far) only nuclear "device", some analysts said that a principal reason was pressure from the scientific establishment.
4. Ron Huisken, "Armaments and Development", in Helena Tuomi and Raimo Vayrynen (eds), *Militarisation and Arms Production*, Beckenham, Croom Helm, 1983, p. 3.
5. p. 161.
6. Grimmett, *Trends in Conventional Arms Transfers*.
7. *SIPRI Yearbook 1984*, p. 198.
8. Yet we are now in the curious situation where the Cabinda oil deposits being developed mainly by US-owned Gulf Oil are paying for Angola's war, including Soviet arms and Cuban troops.
9. I Kende, *Local Wars in Asia, Africa and Latin America*, Studies on Developing Countries no. 60, Budapest. Cited in David K. Whynes, *The Economics of Third World Military Expenditure*.
10. Kevin G. Nealer, Richard McCall and Richard D'Amato, *An Unconventional Arms Policy. Selling Ourselves Short*, Washington, US Government Printing Office, 1983.
11. Most analysts believe that the positive civilian value of expenditure on armed forces is always substantially less than the cost of those forces to the economy.
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Robin Hallett

## Nigeria 1984: The return of the military

Between Nigeria and South Africa there exists a massive divide, the widest of all the divides that separate South Africa from the countries of Black Africa. This divide has formal diplomatic expression in the Nigerian refusal to grant entry visas not only to any holder of a South African passport but also to any non-South African whose passport contains a South African stamp. It finds rhetorical expression in the blistering comments on the "apartheid regime" made by Nigerian spokesmen at international gatherings. But the real nature of the divide can be understood only by taking a much longer view of the two countries, a view that embraces a considerable span of historical time.

Of all the countries of sub-Saharan Africa Nigeria is the most African, South Africa the most Europeanized. The Africanness of Nigeria, its exuberant indigeneity, is something that immediately strikes any visitor to the country. It is visibly expressed in dress and gesture, in architecture and style of trading. The survival of this vigorous local culture can be explained only by going far back into Nigerian history. The more complex a country's problems—and the problems faced both by Nigeria and South Africa are hugely complex—the more essential it becomes for any outsider seeking to define and unravel these problems to make him/herself aware of the multiple strands of that country's historical evolution.

Nigeria has retained its Africanness in spite of undergoing the experience of colonial rule. But the country's colonial experience was very different to South Africa's. In most parts of the country alien rule lasted for little more than a single life-span, sixty years, a couple of generations, and except in a few urban centres Europeans, the conquering aliens, were always very thin on the ground. Unlike so many African countries Nigeria never had any European settlers. Nor did the country attract a large Asian community. Those Europeans who worked in Nigeria—traders, missionaries or administrators—were essentially birds of passage. Climatic conditions and the deliberate policy of the colonial government prevented them from establishing deeper roots.

But the foundations of Nigeria's Africanness are to be sought in a period

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much more remote than the nineteenth and twentieth centuries. Long before the first European settlement in South Africa, in a period contemporaneous with the European Middle Ages, that part of Africa that came to be known as Nigeria—the name itself was not coined until the 1890s—contained substantial states and cities. Kano, the great trading metropolis of northern Nigeria, has a history that can be traced back over a thousand years. Benin, to the west of the Niger delta, was an imposing city when first visited by the Portuguese in the late fifteenth century. Recent archaeological research has shown that Ife, now one of the smaller towns of Yorubaland in Western Nigeria, was a major religious centre at least as early as the thirteenth century, a city famed for its craftsmen, whose sculptures are now accepted as among the great works of world art. Many other important Nigerian cities—Lagos, Ibadan, Oyo, Katsina, Sokoto—were in existence long before the colonial conquest. And the states with which they were associated were among the most populous and elaborately governed of any of the polities of the African continent.

The populousness of Nigeria is today one of the country's most striking features. Nigeria is now reckoned to contain one hundred million people, a quarter of the population of the entire continent, almost three and a half times the size of South Africa's thirty million. The origins of this singular density of population must be sought far back in the past—and they must obviously be associated with the skill with which early Nigerian communities succeeded in mastering their environment, so as to make possible the feeding of much larger numbers than was the case in most other parts of Africa.

A rich culture—or rather a mosaic of rich cultures, a prolific population: taken together, these provide what can perhaps best be described as an effective filter against the alienating consequences of wholesale Westernization. Today Nigerians, moving around the world, not infrequently acquire a reputation for arrogance and abrasiveness. But these are qualities to be found in any people—the British, the Chinese, the Russians, the Americans have all at different times exhibited similar characteristics—who regard their historical experience in very positive terms, who possess a vivid awareness of the achievements of their forefathers.

To achieve a measure of empathy with contemporary Nigerians it is necessary to have some grasp of the distinction of Nigerian history. But a study of the country's history is equally necessary for anyone seeking to work out the extraordinarily complex pattern of recent Nigerian politics. There are a good many multi-ethnic countries in the world: the United States, the Soviet Union, Iran, Brazil, Ethiopia, India and South Africa are to be numbered among them. But of all the world's multi-ethnic states there are very few which contain within so relatively small an area—Nigeria is only about three-quarters the size of South Africa—such a remarkable diversity of

peoples, peoples easily distinguishable one from another by language, religion, dress, life-style, social structure, historical experience. The divide between, say, a peasant from KwaZulu and an Afrikaner businessman of farming stock is certainly no greater, indeed in many respects much less great, than that between one of the great aristocrats of the Muslim emirates of northern Nigeria and an Ibo trader from one of the egalitarian communities of eastern Nigeria. And though it can be said that Nigerian society as a whole has been exposed in the present century to an intrusive Westernization, yet in fact the degree of exposure has varied from community to community — and so too has the response. The eagerness with which many people in Southern Nigeria responded to the opportunities of acquiring western education during the colonial period contrasted very sharply with the much more cautious and critical attitude exhibited by the most prominent social groups in the North.

Nigeria, it must be emphasized, is a country possessing no deeply organic sense of unity. It was only the accident of colonial conquest that came to make the Kanuri of Bornu in the extreme north-west citizens of the same country as the Yoruba of the south-west. In the past, before the coming of the British, there had been absolutely no contact between the Kanuri and the Yoruba nor, for that matter, between the more numerous Hausa of the north-west and the prolific Ibo of the south-east. And for many Nigerian peoples historical memories stressed conflict between adjoining groups rather than co-operation. Thus the so-called “pagan tribes” of the Jos Plateau had for generations suffered the slave-raising forays of neighbouring Fulani emirates.

To have imposed the “iron grid” of colonial administration, to have built up the infrastructure of a modern state — the roads, railways, police forces, postal services and so on — over so exceptionally diverse a population was a great colonial achievement, reproducing in Africa what the British had already achieved on the Indian sub-continent. And finally to have brought this cumbersome colony peacefully to independence was another achievement for which the British have no reason to feel ashamed. In contrast to the violence of much of Nigeria’s post-independence history, the last decade of colonial rule ending with the independence celebrations of October 1960 was an astonishingly peaceful period, marked by steady social and economic development and by the establishment of a tradition of country-wide political debate. Debate and discussion are essential elements of any vigorous democracy. The quality of political debate in Nigeria was remarkably high: it was not uncommon to find junior clerks in government offices acquiring a detailed knowledge of the intricacies of the federal constitutions that the country’s leading politicians were busy working out among themselves and in consultation with their British advisers.

Yet no sooner had independence been achieved than things seemed to go

wrong. In 1964–1965 the Western Region was wracked by a bitter political conflict with many ugly incidents. The general election of 1965 was marked by constant allegations of corruption and intimidation. In January 1966 a group of young Ibo army officers staged a bloody coup, which involved the killing of some of the country's leading politicians, including the deeply respected Federal Prime Minister, Abubakar Tafewa Balewa. Some months later a counter coup by northern officers led to the killing of many Ibo soldiers. And twice in 1966 many of the cities of Northern Nigeria were the scene of what can be described only by the ugly term pogrom: anti-Ibo riots in which the number of the dead ran into thousands. The pogroms seemed to indicate that no Ibo was safe outside the Eastern Region. The bitterness thus provoked was the major factor behind the decision of the government of the Eastern Region to proclaim the independent republic of Biafra.

The civil war from 1967 to 1970 cost Nigeria about one million dead. It was followed by a remarkable period of reconciliation, with the reintegration of the Ibo into the Nigerian community being greatly eased by the growing oil boom. In retrospect the 1970s now looks like an euphoric decade for many Nigerians. The country was awash with petrodollars and the military had set in motion the elaborate process of consultation and discussion that led to the emergence of the Second Republic, with a new constitution based no longer on the Westminster but on the Washington model.

The Nigerian election of 1979 involved what was probably the most elaborate electoral process that has ever been seen in any country in the world. Within the space of a few weeks voters had to go to their polling stations no less than five times, voting for candidates for the federal assembly, the senate and the state legislature and for the state governorship and federal presidency. Five parties contested the election. Two of them were led by the most prominent southern politicians of the First Republic, Chief Awolowo's Unity Party of Nigeria (UPN) drew most of its support from the Yoruba of western Nigeria, while Dr Azikiwe's Nigerian People's Party (NPP) had its stronghold among the Ibo east of the Niger. It was easy to trace the links between the UPN and the old Action Group and between the NPP and the NCNC which "Zik" had founded as Nigeria's first truly national party as long ago as 1944. Similarly the main northern party, the National Party of Nigeria (NPN) had affinities with the old Northern Peoples' Congress. But there were significant differences between the new parties and the old. The sense of Nigerian nationhood was stronger than it had been in the 1950s and the new parties campaigned vigorously for support in areas other than their "home territory". Of the three major parties the NPN proved most successful, carrying off two of the states in the extreme south-east. The two smaller parties, the Peoples Redemption Party (PRP) and the Great Nigeria People's Party were both confined to the north, with their bases in Kano and Bornu respectively. In the presidential election NPN won 34 per cent of the

vote, UPN 29 per cent and PRP and GNPP each 10 per cent. The NPN Presidential candidate just managed to satisfy the condition that he win "not less than one quarter of the votes in at least two-thirds of the states".

The new President, Shehu Shagari, a quiet, unassuming, scholarly man with a reputation as a poet in the Hausa language, set about trying to lessen regional tensions and ethnic rivalries by making his appointments both to the cabinet and to other key positions as widely representative as possible. The president's "political style", a commentator wrote in 1982, "had been one of following the art of the possible, of remaining himself unspotted by corruption, making many speeches attacking materialism and corrupt practices, and appointing an ethical committee of sixteen chiefs and religious leaders to seek an antidote to corruption in Nigerian culture and moral values, but at the same time taking no drastic action against wrongdoers."<sup>1</sup>

Legislators were among the worst offenders: they had spent their first weeks in office voting themselves increased salaries and allowances. The massive revenues brought in by oil exports served only to fertilize corruption which, growing steadily more extravagant, immensely exacerbated social tensions.

By the early 1980s the baleful consequences of Nigeria's excessive dependence on oil were becoming starkly apparent. Between 1973 and 1981 the official price of crude oil increased no less than seventeen times, rising from \$2 to \$34 a barrel. In 1981 oil exports earned Nigeria \$16,3 billion and provided 95 per cent of foreign exchange earnings and 80 per cent of government revenue. The next year, with the world market glutted with oil, both the price and the output began to decline. In 1982 Nigeria's earnings from oil had fallen to \$12,8 billion, by 1983 to \$9,6 billion.

Since the money earned by oil went straight to government, the immediate beneficiaries were members of the political class, politicians, bureaucrats and their associates in the business community. Lavish development projects were drawn up, including the construction of a new federal capital, centrally sited at Abuja, a small town in what used to be known as the "middle belt" of the old Northern Region. Many of the projects were regarded as being of highly doubtful economic validity, in particular the construction of a massive steel-making complex, whose finished product would cost at least twice the price of imported steel. Already in the 1970s the social and demographic consequences of the oil boom were becoming apparent. With tempting opportunities for employment now available on construction sites on urban-based projects, there was a rush from the countryside to the towns. Pre-oil Nigeria had been dependent on three cash-crops, cocoa, palm oil and groundnuts, all produced by peasant farmers. Marketing boards creamed off a good deal of the money earned by these crops ostensibly to pay for development projects, but as long as world prices remained reasonably buoyant as they did after the Second World War, a steady flow of money

found its way into the pockets of peasant producers to the great advantage of the local rural economy. One of the most ominous consequences of Nigeria's new economic order has been the virtual collapse of export agriculture. A disturbing symbol of this collapse can be seen in the pipe line in Eastern Nigeria originally built to carry local palm oil to ships anchored offshore. The pipe line is still in use, but along it now flows palm oil that has been imported from Malaysia.

Or take, as another example of the perversity of the Nigerian economy, the case of rice, as described by a correspondent in the *Economist* in 1982:

Last summer Nigerian rice, smelly, broken stuff, largely from new plantations where they are not yet used to growing and processing it, was selling retail in Lagos at around Niara (N) 1,600 a tonne. Fine, ocean Carolina rice could be landed at Lagos at N400 a tonne (courtesy the American taxpayer and his subsidies). Rice bears no import duty and may be imported only on special licence. Importers can then sell it at a 400 % mark-up, so rice import licences are as good as money.<sup>2</sup> (At the official exchange rate N1 is equivalent to R1,30.)

Most licences went to supporters of the ruling NPN in constituencies where support for the party was weakest, which happened to be the southern coastal cities. Between 1970 and 1979 imports rose from 1700 to 700 000 tonnes. As a result local rice producers who had been promised a rising share of the market found it difficult to sell their home-grown product.

The combination of economic mismanagement with rampant corruption made life increasingly difficult for all but a tiny minority of Nigerians — and for foreigners as well. The *Economist's* correspondent commented on the "baffled look", the mark of "psychological stress" on the faces of overseas businessmen:

How can so much money and such high hopes engender such chaos? Why won't the phones or the bureaucrats work? Why can't you turn on a switch, or a tap, or turn up for a scheduled flight, with any confidence that light, or a wash, or a journey, will result? Why, at almost every level of public and private administration, do people expect a bribe? Why is everyone so infernally aggressive, and why, when aggressive driving kills people, can't they at least clear the corpses off the streets?<sup>3</sup>

The same point has been made, even more directly and forcefully, by Chinua Achebe, the country's most famous novelist and a writer with a deep sense of political commitment, in his recently published book, *The Trouble with Nigeria*:

Nigeria is one of the most disorderly nations in the world. It is one of the most corrupt, insensitive, inefficient places under the sun. It is one of the most expensive countries and one of those that give least value for money. It is dirty, callous, noisy, ostentatious, dishonest and vulgar. In short it is among the most unpleasant places on earth.<sup>4</sup>

Increasingly then over recent years the vast majority of Nigerians have

seen a steady deterioration in their standard of living and in the general quality of life, while a small, hugely privileged group of businessmen and politicians grew richer and richer. Had they used their ill-gotten gains to invest in local enterprises, their corruption would have seemed acceptable, but in all too many cases they preferred selfishly to insure their own future by putting as much money as possible in overseas bank accounts.

The Second Republic's second general election was held in August 1983. There can be no doubt that it was accompanied by widespread electoral malpractices: "all parties", an impartial observer noted, "rigged the election where they were able".<sup>5</sup> Polling agents were intimidated, returns falsified, lists of electors tampered with and in a number of constituencies there were ugly scenes of violence which left at least two hundred people dead. Those who had hoped that the elections would produce a decisive change were disappointed: in the presidential elections Shehu Shagari won more votes than he had done in 1979.

So now electoral fraud could be added to economic mismanagement and excessive corruption to provide the soldiers with what seemed to them ample justification for stepping in to overthrow the civilian regime. By a great many Nigerians their action appears to have been greeted as enthusiastically as the coup of January 1966 had been welcomed. But between the two coups there were some significant differences.

The coup of January 1966 was a bloody affair, with the young Ibo officers who staged it, killing four of the country's most prominent politicians, the federal prime minister and finance minister and the premiers of the Northern and Western Regions and also several of the army's most senior officers. On 31st December 1983, by contrast, there was only one casualty, when the brigadier sent to arrest the president was shot dead by the presidential guards. The coup of January 1966, in which Ibo officers were the prime actors, could be interpreted as a riposte by the south against the threat of "northern domination". The coup of 1983, on the other hand, was carried out by a group of army officers most of whom were northerners with ethnic affiliations similar to those of President Shagari and his closest advisers. There was another striking contrast between the "young generals", as the coup-leaders of 1983 have been called, and the "young majors" of 1966. The latter had no experience of high political office; the former, on the other hand, had held senior posts in the military regime of the late 1970s, their leader, Major-General Muhammad Buhari, for example, having occupied the important post of Commissioner for Petroleum.

There seems little reason to doubt the sincerity of the arguments put forward by Major General Buhari to justify the coup. In his first broadcast he spoke of the country as "being enslaved by a handful of people who had been sharing the wealth among themselves and who were determined to stay in office at all costs". "Our leaders revel in squandermania. Corruption and

indiscipline continue to proliferate in complete disregard of our sad economic realities".<sup>6</sup> "We knew it was bad", Buhari remarked after he had been in power for some months, "but we did not know that it was as bad as this".<sup>7</sup> The comment was no doubt justified but it should not be used to confirm a simplistic notion of recent Nigerian history in which a virtuous and far-sighted military is opposed to the avaricious kleptocracy ("a ruling class of thieves") of the politicians.

During the military regime of the 1970s there were frequent allegations of corruption among the military. Indeed the bloodless coup of 1975 which replaced the mild and amiable General Gowon by the dynamic General Murtala Muhammad, a charismatic figure whose assassination in February 1976 was seen by many Nigerians as a national disaster, was the work of a group known as the "Young Colonels" who were exasperated by Gowon's practice of shielding military colleagues widely suspected of corrupt practices. Many of the "Young Colonels" of 1976 were to become the "Young Generals" of 1983. On corruption their record may be unblemished; on economic management their record is more questionable. They were responsible for laying down the broad lines of economic development at a time of unparalleled economic good fortune. Emphasis was placed on grandiose projects: a massive roadbuilding and telecommunications programme, the initial plans for the steel complex, capital-intensive schemes of agricultural development and so on. Oil revenue was not enough to meet the cost, money was borrowed from external creditors. The military were exceedingly lucky in the timing of their handover to the civilians. In 1979 oil revenues were still high and the foreign debt stood at a modest \$4 billion. But the practice of indulging in massive projects of doubtful economic viability had been established. The military now find themselves faced with an economic situation which has certainly been vastly aggravated by the recklessness of civilian politicians but for which they themselves cannot disclaim all responsibility.

The new military regime has been described as Nigeria's "first true military dictatorship, albeit benevolent".<sup>8</sup> It contrasts with the earlier military regime's which could be described as "an effective military-led participatory government in which civilians were given powerful and influential positions in policy-making".<sup>9</sup> To the professional soldier perhaps the most aggravating feature of civilian life is its messiness: untidiness of appearance whether of individuals or of locations, careless road-manners, widespread petty crime, extravagant political rhetoric. "Deep in the psyche of the average African soldier", one commentator has written, "is planted a perpetual distrust of the ability of the indigenous governing forces to maintain the disciplinary standards laid down by the colonial authorities."<sup>10</sup>

So it was hardly surprising that one of the first acts of the new military regime was to launch a campaign under the slogan "War Against



Indiscipline" (WAI) to the accompaniment of regular television programmes, extolling the conscientious and energetic and deriding those who neglect their duties — like the office telephonist who goes on polishing her nails while the telephone she is paid to answer rings and rings. The campaign was backed up by a range of draconian penalties: Decree 21, for example, introduced the death penalty for a wide range of crimes including "defrauding the Federal Government" and "illegal dealing in petroleum products." The Nigerian press, which had previously been one of the freest in Africa, was seriously affected by Decree 4, which gave the government "power to close newspapers and radio/TV stations and to jail journalists for reporting false information".<sup>11</sup>

Five hundred politicians were reported to have been detained after the coup. The first trials have now taken place, being held in camera before a military tribunal, with no right to appeal and sentences being as stiff as twenty one years imprisonment. Nigeria has a large and influential legal profession; lawyers in common with other educated Nigerians are "already fearful", a correspondent reported from Lagos in early August, "of the increasingly authoritarian drift of the 'young generals' now in power".<sup>12</sup>

The government's first step in tackling the country's economic problems was to introduce a new currency: those who had made a practice of hoarding the old currency were required to satisfy the authorities that their accumulated savings had been legally acquired. This step was followed by an incomes policy banning any increase in wages for workers both in the public and private sectors.

Looking to the future, it is clear that Major-General Buhari and his colleagues in the Supreme Military Council face huge problems both political and economic. It is vital that they continue to enjoy the support of their fellow-soldiers. The Nigerian army — with 138 000 men one of the largest in Africa — is certainly not a monolithic institution. The bloody events of 1966, when officers from the south and from the north plotted murderously against each other, showed how deeply the then very much smaller army was fissured by ethnic divisions. The dividing lines may run now more along ideological than ethnic lines. Certainly it was widely rumoured that the coup of 31 December was partly designed to forestall a planned coup by officers very much more radical in their ideas than the conservative "young generals".

The risks of a serious political divide within the army are likely to become all the more apparent if Buhari and his colleagues fail to work out a way of establishing some sort of dialogue with important elements in civilian life. Here one of the lessons of the Second Republic needs to be borne in mind. Whatever its defects as revealed by the behaviour of the elected legislators, "the Constitution . . . was successful in ensuring that no party could become the federal government without winning the support of a regional coalition

of interests. At the same time it decentralized government enough"—through the mechanism of the nineteen states—"to give everyone some degree of power to satisfy them".<sup>13</sup> Ever since in the late 1940s Nigerians began discussing the nature of the government needed to hold their country together, the question of how much power should be accorded to the central/federal government has been of paramount importance. An excessively authoritarian regime will arouse huge enmities and run the risk of precipitating internal violence—with incalculable consequences.

So the "young generals" would do well to learn a few lessons from the man they were responsible for overthrowing in 1975. For General Gowon during his years as Supreme Military Commander was extremely successful at associating both politicians and senior civil servants with the work of government at the highest levels. The importance of the civil servants, in particular, needs stressing. Far more than the politicians and the military, they are the agents who keep the whole machinery of government ticking over. Without their enthusiastic co-operation no military leader can hope to bring in significant reforms.

So far as the economy is concerned, foreign observers do not find it difficult to sketch out broad lines of an economic policy more realistic than that pursued by Nigerian governments of the 1970s and early 1980s. Clearly Nigeria must get away from its overdependence on oil. This can be done only by reviving agriculture so as to re-establish the importance of the neglected cash crops that were once the pillars of Nigeria's economy and to increase local food production, so as to cut down food imports. The import bill must be cut too by requiring newly established industries to become more dependent on locally available raw materials.

In 1980 Nigeria's external indebtedness was put at \$4 billion; by 1984 it was reckoned to have risen to \$15 billion. According to "relatively conservative banking estimates", by 1986 Nigeria could be paying out \$5 billion a year on servicing its debts.<sup>14</sup> This sum is equal to about half the foreign exchange at present earned by oil. The IMF has no doubt of the bitter medicine that needs to be applied. The naira, at present grossly overvalued, must be devalued by 30 per cent, the generous subsidies that keep the price of oil low on the internal market must be done away with, and the pernicious system of import licences must be abolished. But such measures would initially at least serve to make still worse an inflation that some observers reckon to have already reached 200 per cent. Factories, deprived of their imported raw materials, would be forced to close down, thus adding to the already large number of the unemployed. And the decline in imports would spell ruin to many businessmen. A really effective policy of economic reform poses huge political problems. For the mass of townspeople life, already hard, would become still harder, while the more privileged sections of Nigerian society would find the dreams of easy wealth with which they have lived for the last

fifteen years rapidly fading. Translate disillusion and discontent into political terms, into protests, demonstrations, riots. Only a government very sure of its position could embark on such policies.

Looking further into the future, the position looks even more alarming. No exact figures are available for the rate of increase of Nigeria's population, but it must clearly be somewhere near the West African average of 3 per cent per annum. This means, as the *Economist's* correspondent put it in 1982:

that Nigeria will start the next millenium with over 200 million people. At present rates they will consume as much oil as Nigeria now produces with none over for export. They would certainly want to eat twice as much food as Nigerian farmers now grow. It is a formula for catastrophe ... In Nigeria, as in all tropical Africa, the economic theories under test are not those of Marx or Marshall or Keynes but of the more ancient Malthus.<sup>15</sup>

Finally, to return to the question of Nigerian-South African relations. The most reasonable prediction would seem to be that Nigeria's leaders will find themselves so obsessively involved with their country's own internal problems that they are hardly likely to be in a position to make any impact on events outside their own immediate region. The impotence of Lagos may well seem to be to the advantage of Pretoria, just as the scandals of Nigerian life may well provide welcome material to those who choose to indulge in a simplistic racist analysis of contemporary Africa. But simple analyses are out of place in a country which presents so formidable a challenge to the outside observer's capacity to achieve an illuminating understanding of a society very different from his/her own.

Fortunately the task of trying to understand Nigeria has been rendered somewhat easier by the articulate nature of contemporary Nigerian society. No country in black Africa produces so voluminous a stream of critical and creative writing. A survey published in 1980 showed that Nigeria possessed 22 daily papers, 12 Sunday papers, 23 weeklies, 46 periodicals and 26 publishing houses. Most of the material published in Nigeria is written in English. Add to this the remarkably rich literary tradition which Nigerian novelists, poets and playwrights have evolved over the past thirty years. More consciously than many writers in the First World, Nigerian writers feel themselves deeply involved in their country's problems. "I believe", Chinua Achebe remarked in 1972, "that it's impossible to write anything in Africa without some kind of commitment, some kind of message, some kind of protest." Another Nigerian writer, Kole Omotoso, has made much the same point: "The writer has to keep on saying No! No! No! to any evil that exists in society. Because of the fluid nature of African society, the conscious artist can contribute to the building of a new mode of life."<sup>16</sup>

A *new mode of life*—that, it may be suggested, is what many Nigerians must be hoping that the coup of December 1983 will bring about. An impossible undertaking? Historians tend to be pessimists, yet they are also

aware that profound changes can take place from generation to generation in the life of any country. Nigeria may indeed be, as Achebe phrased it, "dirty, callous, noisy, ostentatious, dishonest and vulgar" and many of its people may strike a foreign visitor as "inferentially aggressive" — but through all these defects there runs a common strand, a quality of exuberant vitality. The way in which so vital a people grapple with problems of such horrendous complexity is going to present the outside world with one of the most intriguing spectacles of the last years of the twentieth century.

#### Notes

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## Books received for review

THE POLITICS OF NUCLEAR CONSULTATION IN NATO 1965-1980

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