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CHANGING POWER RELATIONS

In 1945, the United States emerged from the war as the strongest military and economic power in the world. She had more than half the GNP of the non-communist world, and the monopoly of atomic weapons. By 1971 America, in SALT I, conceded to the Soviet Union rough equivalence, in other words, equality in nuclear strength or status. In several other respects, the communist side has enjoyed added privileges, like its theory of socialist sovereignty, exercised in Czechoslovakia in 1968. By this theory, the Soviet Union reserved the right to rescue another socialist country, in this case Czechoslovakia, which was in danger of losing its socialist character through internal aberrations of the communist leadership. So the East European states are inviolate allies of the Soviet Union. Further, the communist powers can influence the internal affairs of non-communist countries, through aiding communist parties in these countries, or encouraging, funding and feeding whatever fad, fetish or fancy of the day that may weaken the fabric of non-communist societies.

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On the other hand, other than through radio broadcasts which can, and are, frequently effectively jammed, the West is not able to influence events within communist societies, like the Soviet Union, Eastern Europe, Cuba, China, North Korea, Vietnam, Laos or Cambodia. And so it may prove to be the case in Angola and Mozambique. The rule is, once gone communist, it stays communist.

The first decade after the war, 1945-55, were optimistic years. Western Europe was successfully rehabilitated by the Marshall Plan, West Berlin was held by an airlift in 1948. The invasion of South Korea by North Korea in 1950 was repulsed by UN troops. And this war helped the rebuilding of Japan's now powerful economy, the third largest in the world, after the USA and USSR.

The second decade, 1955-65, witnessed increasing prosperity, the beginnings of the affluent society. Economic growth seemed unlimited. Even as the empires were dismantled, Europe, including Britain, became more prosperous. America led the way, followed by Western Europe and Japan, into the consumer society.

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The third decade, 1965-75, was a decade of decline, marked by political turmoil and periodic economic crises. American forces intervened in Vietnam. It was to be a most divisive war, both within America and between American and

her allies in Western Europe. It meant the end of President Johnson's "Great Society". All the hopes of the civil rights programme, giving the black American equal opportunities in a great society, were shelved as blood and treasure went into war. Americans demonstrated and rioted in their cities. The war accelerated world inflation rates. It led to a crisis of confidence in American constitutional institutions. By 1971, the non-convertibility of the US$ into gold became a fact. Then came floating exchange rates. And in October 1973, after the 4th Arab-Israeli war, when an oil embargo was imposed, the West went through an unprecedented crisis, and a recession from which it has not quite recovered.

In the fourth decade, America, Western Europe and Japan found their economies in a state of malaise. All the basic assumptions of the past can no longer be taken for granted. Uncertainty prevails over large areas of both the strategic and economic fields. The post-Keynesian era has not produced a post-Keynesian formula which can get sluggish economies moving, to reduce unemployment without unacceptably high inflation. There is no magic formula for the problems of excess industrial capacity, unemployment and inflation in the industrial countries, and low commodity prices for the exports of developing non-oil countries.

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For me, a vivid example of the changed power relations is to imagine what Southeast Asia would have been like if the Americans had succeeded in Vietnam, and prevented the communists from taking over South Vietnam, or Laos and Cambodia. Behind this security shield, the other non-communist countries of Southeast Asia could have indulged in their quarrels over territorial claims -- the Philippines over Sabah in East Malaysia, or problems of minorities, like the Muslim Malays in South Thailand.

But the communists have won. The Vietnamese have become a formidable military power in Southeast Asia, and the third largest communist country in the world.

The Western media have lost their crusading interest in the future of Vietnam, Laos and Cambodia. The war has ended, regimes have changed, flags are different, and national anthems are new. The Western media, which covered every horror and atrocity during the war in colour TV and in many billions of vivid words, are completely excluded. What is taking place in these three countries has occasionally been pieced together and published in some newspapers in the West. The press reports the horrors of communist rule with resignation. Gone is the fire of missionary reform which marked their attacks on the old non-communist regimes. The workings of the communist system after

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victory make for fascinating, if sometimes terrifying, reading for the rest of non-communist Southeast Asia. Two years after the war, every day refugees still flee across the borders of Laos and Cambodia into Thailand. And whole Vietnamese families risk a watery grave, as they make out for the open seas in coastal fishing boats, then dash for freedom. And this, despite the knowledge that all coastal states within reach are no longer able or willing to absorb them. For the United Nations Refugee Commission, after the first burst of humanitarian activity, has become less active, with low funds and less countries willing to take the refugees. But the stories the refugees have to tell are horrendous. They have been confirmed by Roman Catholic priests of Canadian and French origin. Many stayed behind after the communist victory. Recently they have been asked to leave. Some have kept diaries of their last 18-24 months in Saigon. They make fearful reading. But the Western media want to forget these issues.

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However, it has made the non-communist countries of Southeast Asia determined to preserve themselves from similar catastrophe if their communist guerillas take over. Without this shock, I doubt if the organisation which five countries had formed in 1967, ten years ago, Indonesia, Malaysia, the Philippines, Singapore and Thailand, for economic and regional co-operation, could have been more than just another organisation for Ministers and other officials to go conferencing. The seriousness of purpose came only with the shock of the terrible alternatives. There is urgency for greater economic co-operation, to accelerate growth, to reduce poverty and lessen recruits for communist guerillas bands. The political will has been found to get together to meet the new problems. The question is how to make the pace of co-operation grow faster. And it has to go faster if co-operation between the ASEAN five in Southeast Asia and Japan, and perhaps Australia and New Zealand, is to produce a significant uplift to counteract the slowing down in new investments and jobs -- a slowdown which reflects a worldwide overcapacity in the industrial nations, plus a lurking fear that Thailand, now a front-line state, could face a crisis of confidence in the longer term. Domestic capital has left the country, and Thai Ministers have had to make appeals to their fellow countrymen to bring these funds back to get the economy going.

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An era of optimism in increasing growth and prosperity had ended in October '73, with the oil crisis. It showed up the vulnerability of all countries in this interlinked and interdependent world. Only the communist bloc of the Soviet Union and Eastern Europe, and China, both systems more geared to the high cost of economic autarchy, were left unaffected by the climacteric of the world's economy. The Soviet Union was not slow in increasing the prices of Soviet oil and gas for her communist allies. In 1973, when the embargo was imposed, the United States imported only 9% of her total oil consumption. In 1976, the United States imported 29% of her total oil consumption. For countries of Western Europe and Japan, the position reflected varying degrees of precariousness. The old world order has changed to the advantage of the oil producers, and of the Soviet Union and China, both net oil exporters.

The problems of the Arab-Israeli conflict have to be resolved, however intractable they may have been till now. If there is no solution, then we all face the danger of the economic system to which we are linked disintegrating, if oil is used as a weapon to force a solution.

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Meanwhile, after a decade of apparent stalemate, revolutionary changes in southern Africa are in the offing. The collapse of the right-wing dictatorship in Portugal led to the emergency of Marxist-inclined governments in Angola and

Mozambique. Now southern Africa, including South Africa, is on the threshold of a classic guerilla struggle, different from, but still akin to Vietnam.

The question now is no longer whether there will be majority rule in Rhodesia by 1978. The question is whether, even after a black majority rule government is installed, is it possible to dissuade Marxist-trained guerillas and their leaders from going on with their guerilla insurgency from sanctuaries in neighbouring Marxist states, until Marxists have installed themselves in power in Rhodesia even after it has become Zimbabwe?

It is fortuitous that at this eleventh hour, an American from the Deep South has been elected President. He has uttered the hitherto unutterable, that majority rule must prevail in South Africa itself. Let us hope there is time to save South Africa (Azania), Zimbabwe, and Namibia from Marxist-trained guerillas. But the saving will have to be by the Africans themselves as in Zaire, not by Americans.

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One unmistakable trend in the changing relations between the great powers has been the dedication of the Soviet Union to military strength, coupled with the inability of the West to spend more than the minimum on defence. It is the result of the "one-man one-vote" system in the consumer society. The electorate is promised full employment, better wages, and more expenditure on social

services. Political parties, after election, in order to fulfill their election pledges inevitably have to cut down on defence. A comparison of defence expenditures of the Soviet Union, the United States, Japan, the NATO countries, the Warsaw Pact countries and China:-

	Defence Expenditure (US$Million)	% of GNP (at current market prices)
USSR		
1965	37,000	9.0
1970	53,900	11.0
1975	124,000	11-13 (estimate)
1976	Not available	-
USA		
1965	51,827	8.0
1970	76,507	7.8
1975	88,983	5.9
1976	102,691	-

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Western European NATO Countries	Defence Expenditure (US$Million)	% of GNP (at current market prices)
1965	20.57+ billion	4.9
1970	24.6 billion	3.7**
1975	57.5 billion	3.8**
1976	54.1 billion	-
Japan		
1965	848	1.3
1970	1,640	0.8
1975	4,620	0.9
1976	5,058	-
Total Warsaw Pact Countries (excluding USSR)		% of GNP (at factor cost)
1965	2,920	2.7
1970	7,515	5.0
1975	7,937	3.4
1976	8,534	-

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China

1965	Not available	-
1970	7,600	9.5
1974***	17,000	6.9
1976	Not available	-

\+ Keesing's Contemporary Archives

** Computed using GNP data provided in the relevant Military Balance

*** Latest available estimates for 1974 only.

Sources:

1965: The Military Balance 1966/67

1970: The Military Balance 1971/72

1975: The Military Balance 1976/77

1976: The Military Balance 1976/77

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By 1975, the Soviet Union had exceeded the United States in absolute expenditure on defence, although her GNP is less than two-thirds that of the United States.

Japan spent least of all the industrial countries on defence.

But the new American President has announced that there will be a total withdrawal of all US forces from South Korea in 5 years. Japan has been put on notice that there will be a new security situation in 5 years' time. She faces a difficult decision, whether she can continue to spend less than 1% of her GNP on defence, or whether she has to have a defence capability, even if it means amending an American-imposed constitution, which prohibits rearmament.

Military strength derives from industrial and technological capacity and total economic capacity. If the West were so minded, and had spent anything comparable to the Soviet 11-13% of their GNP on defence, it would have presented the Soviet Union with completely different military prospects, and the world outlook would be different. This has not been the case. "One-man one-vote" makes it impossible for any of the industrial countries to go in for increased defence expenditure, especially when the atmosphere is one of detente.

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The argument against vast expenditure on conventional arms in an age of nuclear tactical and strategic weapons is attractive. Why waste money on conventional arms, when in any clash, eventually one side or the other must use tactical nuclear weapons, and if the aggressor persists, then he must be prepared for M.A.D. (Mutually Assured Destruction)? But is this so? Has the Soviet Union made her people endure great deprivation, sacrifice the better life to

become a great military world power, but remain unable to put into use her vast arsenals? Or is it possible that the possession of nuclear weaponry, plus overwhelming conventional arms, can lead to a more neutral and friendly Western Europe, not unlike Finland, with or without the softener of friendly Euro-Communists?

This trend makes a communist government in China warns the Europeans of the dangers of the "Munich spirit", and chides the West over their faith in detente. A communist power openly urges the capitalist West Europeans to unite and build up their defences. China's own experience with her communist neighbour has aroused deep suspicions of long-term Soviet intentions. China's ability to counter Soviet initiatives is limited by her smaller industrial capacity and her lack of technological sophistication. Therefore she has had to stand by and watch as the Russians gained influence over neighbouring Laos. For it is the Russians who have produced the airplanes and helicopters to run the internal transportation of Laos, amongst other essential services previously provided by the Americans. So too, she had to stand by to watch Angola link her defences with Cuba and Russia.

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But for Southeast Asia, proximity gives China capacity to react. And there is no need for direct intervention. Any country considered crucial or vital to her

interests that becomes pro-Soviet faces the penalty of increased support for its communist insurgents.

Whether we are in Asia, Africa, the Caribbean or in the South Pacific, the sources for our economic progress and our weaponry are either America, Western Europe and Japan, or the Soviet Union or, to a lesser extent, China. The Soviet Union may have less than two-thirds of the GNP of the United States of America. Her agriculture may not be sufficient to ensure that she can feed her own people after every harvest. But her capacity to make arms in the vast quantities, and in quality equal to, if not better than, the West, has been demonstrated.

The Soviet Union is probably sincere in wanting detente between herself and America in order to avoid any situation in which accidental conflict can occur directly between them. But the contest between the two systems goes on.

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Marxist-Leninist dogma asserts that the Western capitalist system is doomed for the dustbin of history. But the Soviet Union sets out to help history all the same. Every issue which offers a chance to weaken the West, whether it is blacks versus whites in southern Africa, or Arabs and their oil versus Israel in the Middle East, is exploited to the utmost. Of course, their greatest triumph was in Vietnam, where American self-confidence took a beating.

But, however strong the Soviet Union may be militarily, Southeast Asia has learnt that if it is to make economic progress, it must work with America, Western Europe and Japan. The Soviet Union's record in accelerating economic development has been poor. Two billion roubles were spent in Indonesia with nothing to show for it. Even more went to waste in Egypt. The Soviet Union has been a great supplier of powerful weapons. But she has not provided a good generator for economic transformation. And it may not be for want of good intentions. After all, the Soviet bloc owes the West over US$40 billion in credits for Western technology and machinery.* And China, given the choice of American or British civilian aircraft, as against Russian ones, has chosen the Boeing 707 and the Trident. China has also chosen to buy American computers for weather forecasting. Experts say they are also useful for military purposes.

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* Strategic Survey 1976 - IISS - Page 3.

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Perhaps the most significant tribute to western technology has come from the Vietnamese. To fight a war, Soviet hardware was more than adequate. To rebuild the economy, the Vietnamese have used South Vietnam's membership of the IMF and the World Bank, and the Asian Development Bank. The Socialist Republic of Vietnam has retained the membership. They have invited investments from the West and Japan to facilitate reconstruction. The terms for such investments appear generous and are negotiable. And it is not just for propaganda that Vietnam is pressing hard for the US$4.5 billion which Mr. Nixon promised her in a letter signed when he was President in 1973.

Of all communists, the Vietnamese are best placed to know and compared the standards of technology of both sides. After the communist victory, many secret or "hidden" communists in the old government of South Vietnam are now serving the government of the Socialist Republic of Vietnam. They have seen the efficacy of American, Japanese and West European technology and machinery, especially for civilian purposes.

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A disturbing consequence of Soviet effectiveness in the instruments of war, as compared to the implements of peace, is that her interests are better served in crises than in peace. Peaceful economic competition, to which Western leaders, including the British Prime Minister, have invited the Soviet Union,

holds out little attraction to them. It is a contest they are not likely to win. The Soviet Union's aid record last year was one half that of West Germany. But competition in the supply of arms, in exploiting animosities between different ethnic, religious and ideological groups and class divisions, promises greater returns. Exploitation of these conflicts may not add to the economic strength of the Soviet bloc. But it weakens the economic resources available to the Western side. Hence the opportunities for strife in southern Africa will not be passed over. Of course, the stakes are highest in the Middle East. The oil states of the Gulf need not go communist. They need only go radical Muslims like Libya under President Gaddafi, and the whole world may be altered beyond recognition.

But the industrial countries of the West face increasing animosity and resentment from the developing countries, aggravated because there is no alternative better economic grid for the developing countries to plug themselves into. Frustration over fluctuating commodity prices, ever higher prices of imports of manufactured goods from the industrial countries, and the failure to get substantial changes after innumerable conferences, culminating in the North-South talks in Paris last week, is mounting. Developing countries are convinced that the present system is loaded against them. The danger is that, denied a more equitable economic relationship, developing countries will take measures to

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inflict damage on the developed, even though they will hurt themselves even more.

Recently the American President stated in unequivocal terms that the Cold War is over. He made clear that American policies were not guided by blind anti-communist reflex mechanism, hitting back wherever the communists were seeking expansion, and making allies of morally unworthy regimes. The curious thing is that the Soviet Union has never admitted to the existence of the Cold War, let alone starting it. However, when the French President, Giscard d'Estaing, sought from Mr. Brezhnev in 1976, after the Helsinki Conference in 1975, an assurance that "detente" extended over the ideological arena, the response was sharp. Communist interpretation of history requires that the class struggle goes on. So we can expect continuing pressure on weak spots, continuous probing for opportunities to expand communist influence. An example is West Berlin.

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Despite the "Ostpolitik" policies of the Federal Republic of Germany, and the acceptance of East Germany and her new boundaries by the West German government, pressures continue. The population of West Berlin is declining. Subsidies to keep the industries buoyant have not prevented the young from drifting away.

At the end of President Carter's visit to London, there was a solemn re-affirmation of the American, British and French position on West Berlin. But will the communists ever cease their pressure on Berlin, or elsewhere in the world?

Perhaps the question we should ask ourselves is: Is the non-communist world worth saving? In economic performance, scientific and technological dynamism and cultural creativeness, it is the more productive and abundant world, one which holds out promise for the deprived and the poor, the vast majority of mankind. Every time people are given the choice, the flow of refugees is always from communist to non-communist areas, never the other way round.

What then, is an intelligent and rational response to the communist challenge, this attrition, this constant eroding of the non-communist sectors of the world? I suggest we begin by remembering that, despite conflicting interests, the non-communist countries share a common interest in not wrecking the existing system, however inadequate it may be in serving their economic and security needs. There have to be changes to the system, one settled before the end of the last world war, now more than 30 years old. These changes must take into greater account the interests of over 75 nations that have become independent

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since 1945. But it would be silly to risk a breakdown of the system by too much pressure for too many changes in too short a time.

For example, if the oil producers press too hard, not only will the non-oil countries of the Third World be pushed against the wall, even the industrial economies of the West will take such a beating that the balance of power between the communist and non-communist nations will be upset. Once upset, the security and survival of the oil producers themselves will be in jeopardy. So one must hope that they will not destabilise a situation which has enabled them to exploit their cartel position.

Next, industrial countries, particularly those with large balance of payment deficits on top of heavy unemployment and inflation, must resist protectionism. The strong ones, like the Germans and the Japanese, must allow their currencies to float up, to take in more imports, lessening the trade deficits of the weaker economies. The alternative is a retreat into protective trading blocs, not unlike what happened after the Great Depression of 1929-33. This protectionism was the genesis of the Second World War -- something that the Japanese Prime Minister, Mr. Fukuda, then a commercial attache in London, and now under pressure to cut back exports, has pointed out. The next time the results will be even more catastrophic.

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Protectionism hurts not only Japan. When Japan is pushed, she in turn pushes against those down in line. Last year, when the Japanese were told to cut down their new orders for shipping from nearly 80% to 50% of total world orders, so that European shipyards could survive, or to face retaliation in other areas unconnected with shipping, they had to back off. The Japanese kept their shipyard workers on. They redeployed this labour force into the areas hitherto the business of the smaller shipyards in East and Southeast Asia. These smaller shipyards, including those in South Korea, Taiwan, Malaysia and Singapore, were squeezed for business as the Japanese moved into the building of smaller ships, oil rigs and ship repairing. With their system of no retrenchment, it was inevitable that they had to use these workers, and they underpriced and undercut the smaller shipyards of Asia.

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The large issues contained in the title "New International Economic Order" do not lend themselves to solution in one gala conference. A serious study of each commodity and its special characteristics is a prerequisite to any practical price stabilisation scheme. A fund, or several funds under a common fund, will have to be raised to pay for stockpiles, which may check wild fluctuations in commodity prices.

But, however dressed up, fairer terms of trade means that governments in the industrial democracies, based on "one-man one-vote", must be persuaded, either with or without pressure from the oil producers, that their longer term interests demand a gradual conceding of their present dominant trading position, and the opening up of their domestic markets to the simple manufacture of the developing countries, before people in the poorer countries can get a fair share of the world's resources.

But it will be simplistic to believe that developing countries will become developed, just by getting the developed to give more equitable terms of trade, and bigger transfers of capital and technology. There can be no self-sustaining growth without strong political leaderships which can imbue their peoples with social and work disciplines. And the most fundamental of all disciplines is to desist from large families, so that populations will not expand faster than any economic development can hope to cope with. The present 2% increase per annum in developing countries means that schools, hospitals, jobs and homes must double every 20 years. Without this political will, these spiky problems will never be grasped, let alone resolved.

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We are engaged in a test of stamina and will between the communist and the competitive non-communist systems. The communists have gone in for military strength. They have mobilised their human resources and scientific research for military purposes. This has left their economies distorted. It is difficult to keep political discontent from surfacing, however comprehensive their control of men's minds. Sooner or later their peoples will realise the awful price they have had to pay to achieve military dominance. And with growing person to person contacts, an awareness of the real world outside their controlled societies is unavoidable. Communist societies may face greater contradictions within their societies, and between the Soviet Union and her East European allies, than anyone in the West may imagine. And Soviet failure to gain adherents after such vast investments in countries like India, Egypt and Indonesia may well be repeated in Africa and Latin America, despite their Cuban allies.

The future is not pre-determined. It is what we make of it. Leaders in industrial and developing countries must face up to the new problems that have sprouted in a world brought into close contact and constant interaction by rapid transportation and instant communications. It is a world, where diverse peoples and their leaders are in ceaseless competition to get more of the apparently finite resources for their own constituents. However, the world needs more than selfish, self-serving policies to survive, and to overcome the problems of this one

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interlinked, interdependent world that Western sciences and technology, trade and industry have brought about.

To succeed, there must be faith, will, stamina and patience in governments of the industrial and developing countries, so that, in cooperation, not confrontation, they can modify the present system, and make it work equitably in the changed circumstances of the last quarter of the 20th century.

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