

Adam Smith Institute
Omega Report

FOREIGN POLICY



Adam Smith Institute

CONTENTS

Page

PREFACE 1

I. STRUCTURE

1. THE WORK OF THE FOREIGN AND COMMONWEALTH OFFICE 3

II. POLICY

2. THE UNITED NATIONS

(i) The general objectives 4

(ii) The law of the sea 12

3. EUROPEAN POLICY 16

4. THE SOVIET UNION 20

5. EAST-WEST TRADE 24

6. COMMUNICATION

(i) Strategic planning 28

(ii) Communications 31

7. OVERSEAS AID 35

THE OMEGA FILE
FOREIGN POLICY

III. CONCLUSIONS 41

APPENDIX 1: Geographical Divisions at the FCO 43

APPENDIX 2: Functional Divisions at the FCO 44

APPENDIX 3: FCO Administration, Advisors & Special Departments 47

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CONTENTS

	Page
FOREWORD	1
I STRUCTURE	3
1. THE ROLE OF THE FOREIGN AND COMMONWEALTH OFFICE	3
II POLICY	8
2. THE UNITED NATIONS	8
(i) The general objectives	8
(ii) The law of the sea	12
3. EUROPEAN POLICY	16
4. THE SOVIET UNION	20
5. EAST-WEST TRADE	26
6. COMMUNICATION	29
(A) Strategic planning	29
(B) Communication	31
7. OVERSEAS AID	34
III CONCLUSIONS	41
APPENDIX 1 Geographical Divisions at the FCO	43
APPENDIX 2 Functional Divisions at the FCO	46
APPENDIX 3 FCO Administration, Advisers & Special Departments	47

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FOREWORD

The Adam Smith Institute's **Omega project** was conceived to fill a significant gap in the field of public policy research. Administrations entering office in democratic societies are often aware of the problems which they face, but lack a well-developed range of policy options. The process by which policy innovations are brought forward and examined is often wasteful of time, and uncondusive to creative thought.

The **Omega Project** was designed to create and develop new policy initiatives, to research and analyze these new ideas, and to bring them forward for public discussion in ways which overcame the conventional shortcomings.

Twenty working parties were established more than one year ago to cover each major area of government concern. Each of these groups was structured to include individuals with high academic qualification, those with business experience, those trained in economics, those with an expert knowledge of policy analysis, and those with knowledge of parliamentary or legislative procedures. The project as a whole has thus involved the work of of more than one hundred specialists for over a year.

Each working party had secretarial, research and editorial assistance made available to it, and each began its work with a detailed report on the area of its concern, showing the extent of government power, the statutory duties and the instruments which fell within its remit. Each group has explored in a systematic way the opportunities for developing choice and enterprise within the particular area of its concern

The reports of these working parties, containing as they do, several hundred new policy options, constitute the **Omega File**. All of them are to be made available for public discussion. The **Omega Project** represents the most complete review of the activity of government ever undertaken in Britain. It presents the most comprehensive range of policy initiatives which has ever been researched under one programme.

The Adam Smith Institute hopes that the alternative possible solutions which emerge from this process will enhance the nation's ability to deal with many of the serious problems which face it. It is hoped that, being free from partisan thinking, they will be accessible and stimulating to all sectors of opinion. The addition of researched initiatives to policy debate could also serve to encourage both innovation and criticism in public policy.

Thanks are owed to all of those who participated in this venture. For this report in particular, thanks are due to Dr Nigel Ashford, Brian Crozier, Professor Donald Denman, Michael Fallon, George Miller and Geoffrey Stewart-Smith, amongst others. All **Omega Project** reports are the edited summaries of the work of

many different individuals, who have made contributions of various sizes over a lengthy period, and as such their contents should not be regarded as the definitive views of any one author.

Despite the publicity given to the 1964 and 1965 breakdowns, the Foreign and Commonwealth Office (FCO) is undoubtedly a highly efficient piece of Whitehall machinery, and the diplomatic service as a whole is of high quality. Although it is tempting to blame the FCO when Britain appears at times to be devoid of a consistent and clear foreign policy, the charge is unfair. Indeed, whenever the FCO has come under the authority of a foreign secretary with distinguished views (such as Ernest Bevin or Lord Avon), the conduct of foreign affairs has acquired a real drive and sense of purpose.

PRESENT STRUCTURE

The range of activities covered by the FCO is both wide and varied. It is responsible for communications between Britain and foreign governments or international organisations. It handles negotiations which cover international relations. It is expected to keep the government briefed on activities overseas which affect Britain's interests. It must protect those interests, and those of Britons abroad. It has to explain our position overseas, and provide the instrument for discharging British responsibilities.

Geographical divisions. To these ends, the FCO is responsible for some 200 overseas missions, comprising embassies and high commissions in nearly 120 countries, together with consulates general and consulates, and also in a number of super-national organisations. It maintains twenty-two geographical departments, into which the rest of the world is divided. Alongside the traditional channels of advice and information, there is much commercial, economic and cultural work, depending on the territory concerned.

Functional divisions. Separate from the geographical departments are the main divisions of the FCO's functional departments. These cover (1) the economic area, (2) the United Nations, (3) information and cultural relations, and (4) planning, research, defence and disarmament.

A further section handles administration, covering such areas as communications, information services and personnel. It is in this section that visas and passports are dealt with. Finally, there is a section to cover advisers and special envoys, under which heading come departments dealing with the maintenance of international relations, disarmament, and education, the

1. See Appendix 1 for the geographical breakdown.

2. See Appendix 2 for their main areas of responsibility.

1. THE ROLE AND STRUCTURE OF THE FOREIGN OFFICE

Despite the publicity given to its occasional and spectacular breakdowns, the Foreign and Commonwealth Office (FCO) is undoubtedly a highly efficient piece of Whitehall machinery, and the diplomatic service as a whole is of high quality. Although it is tempting to blame the FCO when Britain appears at times to be devoid of a consistent and clear foreign policy, the charge is unfair. Indeed, whenever the FCO has come under the authority of a foreign secretary with determined views (such as Ernest Bevin or Lord Home), the conduct of foreign affairs has acquired a real drive and sense of purpose.

PRESENT STRUCTURE

The range of activities covered by the FCO is both wide and varied. It is responsible for communication between Britain and foreign governments or international organizations. It handles negotiations which cover international relations. It is expected to keep the government briefed on activities overseas which affect Britain's interests. It must protect those interests, and those of Britons abroad. It has to explain our position overseas, and provide the instrument for discharging British responsibilities.

Geographical division. To these ends, the FCO is responsible for some 200 overseas missions, comprising embassies and high commissions in nearly 130 countries, together with consulates general and consulates, and missions at eight super-national organizations. It maintains twenty-one geographical departments, into which the rest of the world is divided. Alongside the traditional channelling of advice and information, there is much commercial, economic and cultural work, depending on the territory concerned¹.

Functional divisions. Separate from the geographical departments are the main divisions of the FCO's functional departments. These cover (1) the economic area, (2) the United Nations, (3) information and cultural relations, and (4) planning, research, defence and disarmament².

A further section handles administration, covering such areas as communications, accommodation, services and personnel. It is in this section that visas and passports are dealt with. Finally, there is a section to cover advisers and special departments, under which heading come departments dealing with arms control and disarmament, commonwealth co-ordination, the

1 See Appendix 1 for the geographical breakdown

2 See Appendix 2 for their main areas of responsibility

economic and news departments, and the planning staff¹.

PROBLEMS

With so great a range of responsibilities and concerns, and with the richness of expertise which it makes evident, few of its critics charge the FCO with lack of competence. On the contrary, there is general appreciation of its technical proficiency. The exceptions which highlight occasional weaknesses demonstrate in addition its general abilities. The cause for concern is not any failing in the machine itself, but the doubts over who is driving it. The feature of the FCO which worries many observers is its lack of susceptibility to political control, not any lack of efficiency.

Insulated nature

There are factors about the operation of the FCO which contribute to this effect. Its very size and expertise make it a self-contained world with its own esprit de corps. Its officials are accustomed to thinking that their knowledge of the detail of foreign affairs is superior to that of the politicians who impinge on their work. This may even be true, but it is the politicians who bear the responsibility and have assigned to them the constitutional task of making the decisions.

The FCO lays great stress on the continuity of its policies, and in trying to insulate them from the different views of those who come and go with the rise and fall of parliaments. One long-standing criticism has it that this traditional continuity refuses to respond to a changing world, and thus finds Britain's policies always in arrear of new realities.

Lack of strategic thinking

Another criticism, equally serious, points out that long involvement by personnel with particular areas inculcates an identification with those areas and with their problems and points of view. This leads, in turn, to a passive foreign policy in which Britain reacts to the events caused by others, and in which the FCO sometimes appears to represent to Britain the views of foreign governments, and to speak for them. Its real job should, of course, be to represent the views of Britain to foreign governments.

The traditional desire of the FCO for 'good relations' with other countries needs to be tempered by political direction: vital interests must be defined and defended, lest they be surrendered in the interests of the negotiation itself.

1. See Appendix 3

Similar direction from above is required to establish the priorities between the different aims which are pursued. Fostering trade is a worthwhile aim, but not one which should be followed where it puts our very security at risk. On more than one occasion the FCO has come under the charge that it has worked to keep open our trading contracts, only at the expense of our strategic concerns.

Lack of information

These weaknesses in the direction and control of our foreign policy have their roots in the uniformity of outlook and the effective monopoly of information and interpretation by the Foreign and Commonwealth Office. The FCO presents policy as a seamless whole. Any dissention and discussion take place internally. The advice presented to the minister is already policy. The doubts and qualifications do not appear; one course of action emerges with the overwhelming weight of expert opinion behind it. The FCO line is always maintained, and no other courses are conceded as credible. Incoming ministers, even prime ministers, meet with this solid wall of uniformity which allows for no choices or reinterpretations.

The ability of politicians to override, or even question, the soundness of the FCO line is severely impeded by lack of information. The FCO itself controls most of the information, and can control its output or its interpretation. The Oversea and Defence Committee of the cabinet has access to raw intelligence information in the 'red books' made up by the Joint Intelligence Committee, but many of the cabinet officials who have to process and interpret this information are themselves career diplomats on assignment. They share the outlook and assumptions of the FCO. There are no alternative sources of information or advice which could challenge those assumptions and expose weaknesses.

TOWARDS A SOLUTION

Prime ministers have, from time to time, attempted to secure themselves foreign policy advice independent of the FCO, as a means of validating or refuting alleged policy imperatives. Foreign policy advisers at Downing Street are one move towards a solution, but they offer a temporary stop-gap to an institutional problem. A more permanent institutional solution would be achieved by the establishment of a National Security Council.

It is envisaged that a National Security Council, with the status of a department, would have its own staff for research and analysis. It would have direct access to intelligence from MI6, the Defence Intelligence Organizations and the Government Communications Headquarters, and would be given access, in addition, to intelligence from diplomatic sources. It would maintain geographical 'desks', and would supply briefing direct

to the prime minister and the cabinet. The council and its staff would come under the direct authority of the prime minister, who would have power to appoint national security advisers to membership of the council, in addition to its ministerial and armed services members.

The new council would not be a cabinet committee, such as the Joint Intelligence Committee or the Oversea and Defence Committee, but would be an independent department developing policy advice which derived from information flowing along different paths to those used by the FCO. Its officials would not necessarily share the outlook and assumptions of those trained in the foreign office, and would, on occasions, be capable of supplying interpretations alternative to those emanating from the FCO itself.

Advantages

The creation of a new and separate body is a logical development of the existing trend in foreign policy oversight. Access to raw intelligence by the cabinet, the development of an Oversea and Defence Committee secretariat, and the introduction of foreign policy advisers at Number Ten all point to the evident gap which the new body would fill. It would provide the basis of an alternative source of foreign affairs advice, and would be the means whereby FCO recommendations could be reviewed and evaluated.

The possibility of an alternative view would itself bring about a significant improvement in the degree of control which the prime minister and cabinet exercise over foreign policy. Instead of being presented with an FCO unified view, from which all dissent has been excluded at a lower level within the department, the prime minister and cabinet will be able to assess the FCO view against possible alternatives, and will have to assess it and judge it critically instead of being required to accept it in the absence of any alternatives.

The presence of an alternate source of advice would do much to prevent the occasional blunders caused by the continuity of unchallenged assumptions within the FCO. The generation of foreign policy proposals from outside would also do much to change the rather limited perception of what is possible in foreign policy, and expand the range of initiatives available to the British government beyond those which merely react to events which originate elsewhere.

Anticipated criticism

The proposal to create a National Security Council will obviously meet with criticism from those who owe first loyalties to the foreign office line. Comparisons will undoubtedly be drawn with the United States, and with the disputes which take place,

sometimes in public, between the NSC and the State Department. The comparisons should be made carefully. The national security council proposed for this country is quite different from that which operates in Washington, as are the institutions and practices of policy formation. There are clear advantages which emerge from the competition, in any case, which would be of benefit to us. The presence of alternate sources of advice generates a competitive and creative stimulus to policy. It provides the means for detecting errors before they are committed, as well as afterwards. Above all, it enables the political leadership to exercise choice and control of foreign policy.

The competition in advice creates the need to test underlying assumptions, and to win support for proposed courses of action, neither of which are particularly evident in the present operation of British foreign policy. There is, however, a more significant advantage to be gained. The national security council would act to protect the security of Britain and its strategic interests. It would always put these vital interests ahead of lesser ones such as trading opportunities or 'good relations'. Any divergence between its advice and the line emanating from the FCO would enable the prime minister and cabinet to see the debate between conflicting priorities, instead of having such discussion buried in the lower echelons of the FCO with no assurance that the correct priorities were awarded their due weight.

To be a centre for harmonizing the actions of nations in the attainment of these common ends.

Britain has been particularly concerned that the UN should be effective in forestalling crises and keeping the peace. We have regarded the UN as a forum for discussion of major world issues such as the North-South dialogue, development, disarmament, human rights, and, especially, as a means of resolving disputes.

critique of the United Nations

One major problem has derived from the constitution of the UN. The development of it as a world body has entailed not only the anticipation, but even the intention of its leaders. The proliferation of small or independent countries was not foreseen by the framers of the UN, nor was the spread of membership to so large a number of states without democratic institutions. It is very difficult for Britain to join its foreign policy together through a body which now represents so large a number of small and undemocratic members. Despite its charter the UN pays more attention to the self-determination of governments than of peoples, and deals more with the rights of nations than with the more general field of human rights.

The success of the Soviet bloc is identifying common interests

2. THE UNITED NATIONS

(I) THE GENERAL OBJECTIVES

Support for the United Nations charter, its purposes and principles has been a cornerstone of British policy since 1945. These purposes, laid down in Article One of the charter are:

1. To maintain international peace and security, and to that end: to take effective collective measures for the prevention and removal of threats to the peace, and for the suppression of acts of aggression or other breaches of the peace, and to bring about by peaceful means, and in conformity with the principles of justice and international law, adjustment or settlement of international disputes or situations which might lead to a breach of peace;
2. To develop friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, and to take other appropriate measures to strengthen universal peace;
3. To achieve international co-operation in solving international problems of an economic, social, cultural or humanitarian character, and in promoting and encouraging respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language, or religion; and
4. To be a centre for harmonizing the actions of nations in the attainment of these common ends.

Britain has been particularly concerned that the UN should be effective in forestalling crises and keeping the peace. We have regarded the UN as a forum for discussion of major world issues such as the North-South dialogue, development, disarmament, human rights, and, especially, as a means of resolving disputes.

Critique of the United Nations

One major problem has derived from the constitution of the UN. The development of it as a world body has outstripped not only the anticipation, but even the intention of its founders. The proliferation of smaller independent countries was not foreseen by the framers of the UN, nor was the spread of membership to so large a number of nations without democratic institutions. It is very difficult for Britain to gain its foreign policy objectives through a body which now represents so large a number of small and undemocratic members. Despite its charter, the UN pays more attention to the self-determination of governments than of peoples, and deals more with the rights of rulers than with the more general field of human rights.

The success of the Soviet bloc in identifying common interests

with the rulers (but not the peoples) of the smaller nations, has given a majority opposed in many cases to the values which Britain represents and seeks to propagate. The government of the United States, which speaks in the name of 220 million people, has counted for no more in the general assembly than the government of Uganda and the Central African Republic, which have in the recent past spoken only for Idi Amin and the Emperor Bokassa.

The make-up of the UN now resembles the eighteenth century constitution of England, with countries of minuscule population and those of corrupt and despotic government taking the place of the rotten and pocket boroughs of an earlier age. Significantly, the defenders of the UN now resort to the very arguments once used to defend the constitution of England prior to the 1832 reform act. The UN, we are told, is 'virtually' representative of its peoples. Although they do not exercise any say in their choice of representatives, the UN does contain those who speak for the same interest. Similarly we are told that the UN represents accurately the real balance of power and interests in the world, regardless of the technical details of its make-up.

Both of these arguments are specious. The first is exposed immediately by the divergence of opinion between those governments which do speak for their peoples, and those which do not. The unrepresented peoples are not 'virtually' represented by the spokesmen for despotic governments; they are not represented at all. Nor does the UN reflect any real balance of power. The small, undemocratic regimes have the votes, the large countries have the power.

The new realism

It has been suggested that Britain's foreign policy at the UN should take account of these realities, and treat the body as no more than an international mechanism for wheeling and dealing, with no claim to any moral authority. To some extent this tendency has already been developing for two decades. A defeat for Britain is no longer regarded as a rebuke from the voice of mankind, but as evidence of our failure to carry enough interested parties with us on a particular issue.

There are two drawbacks to this approach, despite its obvious realism. The first is that it leaves no forum for the ideals which underlie the UN charter, and which speak of international understanding and co-operation. If the UN is reduced to a bargaining house, these ideas have nowhere to find expression. The second objection is that the policy is a negative one. It place Britain in the role of reacting to the initiatives of others, in trying to hold off the increasingly strident demands of a hostile majority, and in resisting its decisions because they have no moral force.

A British initiative

There is a positive step which Britain could take, and which could become an important instrument of our foreign policy. Britain should take the lead, in concert with others, in the establishment of a league of democratic nations. One notion behind this idea is that governments which represent their peoples have things in common. Their shared values and ideals merit a forum for the expression and articulation of them in an international context.

Nations which belonged to the league would still remain active members of the UN, but they would also participate in an additional forum which would give expression to the voice of democratic peoples. The deliberations of the league would carry more moral weight than the chance collection of self-interested rulers which make up UN decisions.

It is envisaged that an international panel of eminent jurists would act as the credentials body for the league of democratic nations, and would have power to admit, suspend or expel from membership. The criterion to be used would be the critical one of whether the people of a country could peacefully change its government. Other institutions such as a free press, freedom of expression, an independent judiciary and the rule of law, would be seen as supportive.

The presence of such a league would act as an incentive to some nations to improve democratic institutions. Some countries would not wish to be publicly excluded from a democratic league; others might wish the prestige of admission. In both cases there would be the pressure of membership to encourage them to adopt institutions compatible with its requirements. Countries contemplating anti-democratic action, such as India's state of emergency in the 1970s, might hesitate if their action were to bring about their temporary suspension from the league.

It is assumed, also, that members of the league would give every encouragement to outside nations to seek to meet the requirements for admission, and that there would be a new source of pressure pushing gently towards a greater spread of democratic institutions.

It is further envisaged that the creation of a league whose member governments represented their peoples would cast the UN itself in a new light. Resolutions and decisions of the UN general assembly would be thrown into relief if they contrasted with the decisions of a worldwide body of democratic nations. Claims that the UN represented world opinion would be severely qualified, to say the least.

The league could be expected to develop very rapidly a range of agencies to handle development, cultural and informational exchanges, as well as relief, economic and educational bodies. It could very soon be playing a significant part as an instrument

of the foreign policy goals which this nation espouses. Indeed, it would do a great deal towards bringing closer in practice some of the ideals which the UN charter stipulates in theory.

Most useful of all, it provides an opportunity for a new initiative by Britain and the free nations. It provides a mechanism whereby their values can be expressed and propagated, and where their distinctive interests can unite. By introducing a new equation into the world formula, it enables them to make the running instead of perpetually fighting a rearguard battle against a momentum which seems to make ever greater inroads into their interests.

The authority is to operate through its assembly, a council elected by the latter and a secretariat; there is also to be an economic planning commission and a legal and technical commission. Operating on a one man one vote basis and with all state signatories constituted members of the assembly, the voting power will be heavily on the side of the overwhelming majority of relatively small developing countries. Besides the assembly the authority will promote an 'Enterprise'. The enterprise will aim to compete with all state operators and companies who are not permitted to take operating permits from the authority. The terms of operation laid down in the treaty are so drawn as to ensure the application of the principles of the new international economic order and to force the industrial nations to yield up under the freedom of markets and their hard-earned technical knowledge and technology to the Third World and the Middle East.

The inevitable conditions

It is a simple matter to see that centralized, collectivist economies where they exist are woefully inefficient compared with the free market economies. The International Trade Authority, is in fact the first international collective to be given absolute monopolistic power over the world's resources - a concrete facility for global management of the world economy. Under the supervision of this bureaucracy, the developed countries will operate on the market, if they operate at all, at a constant disadvantage. The preparatory commission, now working in Jamaica, will draw up the rule book for this global management but it can only do so within the framework of instructions given by the UN in 1964.

That framework will require, inter alia, for states and companies permitted to operate the discipline on the deep ocean bed to

1. become qualified by agreement in advance to accept the surveillance of the IATA and its conditions for operation;
2. be subjected constantly to a production-control limit imposed by the IATA so as to keep the output from ocean mines in

(II) THE LAW OF THE SEA

The summary nationalization of some 50% of the surface of the globe is threatened by the United Nations Law of the Sea Treaty, which Britain and the USA have wisely so far declined to sign. This treaty applies the so-called New International Economic Order to the sea and seeks to effect an involuntary transfer of resources from Western taxpayers to third world governments. The worst feature of the treaty is its creation of an International Seabed Authority (ISA), which would be the greatest collective yet seen on earth.

The authority is to operate through its assembly, a council elected by the latter and a secretariat; there is also to be an economic planning commission and a legal and technical commission. Operating, on a one member one vote basis and with all state signatories constituted members of the assembly, the voting power will be heavily on the side of the overwhelming majority of relatively small developing countries. Besides the assembly the authority will promote an 'Enterprise'. The Enterprise will mine in competition with all state operators and companies who are rash enough to take operating permits from the authority. The terms of operation laid down in the treaty are so drawn as to ensure the application of the principles of the new international economic order and to force the industrial nations to yield up funds, the freedom of markets and their hard-won technical knowledge and technology to the third world and the Eastern Bloc.

The unworkable conditions

It is a simple, patent truth that centralized, collectivist economies where they occur are woefully inefficient compared with the free market economies. The International Seabed Authority, is in fact the first international collective to be given absolute monopolistic power over the seabed resources - a concrete facility for global management of the world economy. Under the supervision of this bureaucracy, the developed countries will operate on the seabed, if they operate at all, at a constant disadvantage. The preparatory commission, now working in Jamaica, will draw up the rule books for this global management; but it can only do so within the framework of instructions given by the Law of the Sea, (LOS).

That framework will require, inter alia, for States and companies permitted to operate the minefields on the deep ocean bed to -

1. become qualified by agreeing in advance to accept the surveillance of the ISA and its conditions for operation;
2. be subjected constantly to a production control limit imposed by the ISA so as to keep the output from ocean mining in

a non-competitive position, as to prices and volume, with the output from land-based mines;

3. find for every mine site discovered and explored at the company's expense, another to be handed gratis to the Enterprise or to a developing country;
4. contribute vast sums by way of levies, fees and taxes to finance the ISA and capitalize and maintain the Enterprise;
5. compete against the operations of the Enterprise which itself will be privileged and not have to meet the levies and taxes imposed on the State operators;
6. provide interest-free loans to the Enterprise;
7. hand over technology and operational knowledge and training facilities to the Enterprise on terms to be determined by arbitrators in the event of disagreement;
8. submit to works plans to be agreed with the ISA;
9. keep off 'reserved areas' of the seabed set aside for the Enterprise and the third world countries equipped at the expense of the Western nations.

The inherent constrictions on operations in this framework, and the frustrations which will emerge from the attempts of what has been called 'this vast perpetual poolside bureaucracy' to administer its controls and sanctions, will effectively prevent any private exploitation of the seabed.

Wasted money

The action programme already being followed gives a forewarning of the absurdities to come. The headquarters of the ISA is at Kingston, Jamaica. An early estimate of the cost of the building was 10m dollars. Hundreds of millions more will go into staffing and administration. But in fact there is little for the ISA to do and it is very unlikely that it will get any clients. So far as is known at present, the only seabed wealth worth going for in the deep oceans is the abundance of polymetallic nodules. These have strategic value to the import-dependent countries like USA, UK, France, West Germany and others. The costs of winning the minerals from the seabed are exceedingly high, involving the development of technology, exploration and ultimately exploitation.

Nodules have actually been lifted from great depths but the costs of doing so are increasingly casting doubts on the economic sense of the operation. Now, on top of the unavoidable costs of research and development come the demands of the ISA for exorbitant levies, taxes, fees and loans. No one private company could possibly handle the operations, because of the costs.

Consequently, on the private side, four international consortia from US, UK, Germany, Canada, Italy, Belgium, Netherlands and Japan have been formed. In addition, the governments of France and Japan have sponsored what are, in fact, State enterprises. The current thinking is that as a consequence of the costs of operating under the aegis of the ISA only the state-run consortia will be able and willing to participate. They are in a position to use taxpayers' funds to subsidize what will be loss-making mining ventures on the seabed of the deep oceans. If this is so, the outlook for the Enterprise is bleak indeed. In addition, present intelligence shows that the number of mine sites of the right size and formation are to be counted in single figures. When all this is seen in the light of the fact that it is only the US who now has, and in the near future will have, the knowledge and technology essential to mount mining operations, one can only measure the activities in Jamaica in terms of wasted money; especially now that the US is having nothing to do with them and the LOS.

There is good reason to think that the majority of those developing countries whose votes have endorsed the law of the sea convention, are not over concerned about the prospect of getting minerals or other wealth from the seabed of the area. In those provisions of the Law of the Sea, they have got what they sought - an international blue-print giving express recognition in practical terms to the principles of the new international economic order. By doing so, they have probably postponed for a generation any hope of those nations able to win the wealth of the deep oceans setting about trying effectively to do so.

A positive proposal

There is a danger that the Law of the Sea Treaty with its present 125 signatories will eventually be ratified by 60 or more states and thus become operative and established international law. From the formal creation of the ISA, the state parties might, under its aegis, make a go of it, despite the non-participation of the USA the UK and one or two others. Given the present state of knowledge available to the signatories, however, and the unlikelihood of American technology being subject to mandatory transfer, the outlook for exploitation of the seabed would not be promising.

Of course the costs of running so vast an international bureaucratic machine and loss-making Enterprise could cause those states bearing the brunt of the financial burden to pull out and leave the rump to a lingering death.

The British government would be unwise to take the risk that the treaty will suffer this fate but should instead propose a positive alternative. Britain should lead the non-signatories into an effective Reciprocating States Agreement which could become an alternative and truly co-operative treaty base for the mining of the deep seabed and should invite access policies which

conform with sound economic sense and natural justice. In the course of time, because of the ineffectiveness of the UN Treaty, the RSA will get stronger and attract additional supporters; and, thus will consolidate its claim in international law to be a legal alternative.

The budget, has been significantly altered. Commitment to Europe is not seen as inconsistent with fighting for Britain. But ends and approach are not distinguished for policy: what has been lacking is some overall conception of the sort of Community to which we should belong, and of the things it should and be doing.

One reason is historical. Before entry, and in the early years of membership, Conservative and Liberal supporters were continuously critical to the in two directions of the left, even of the far left. The Community was regarded as a kind of ideological straggler that had escaped from French and Italian communists. Even today sceptics in our Labour party are reminded of the socialism that has been possible in France today, not outside, the Community.

After ten full years of British membership, the Community's lack of political identity is seen as a weakness. Can such a Community, for which so much is claimed, have any real sense of order, idea of purpose? The more the existing Community appears to be floundering in the recession, the greater the need to go back to its basic principles.

Across Europe the timing for such a re-examination is opportune. The arrival of Centre right governments in Denmark, Holland and West Germany puts Britain, for the first time, in a potentially powerful anti-socialist majority amongst the 12. The campaign for legislative reform, therefore, should be viewed not as legislation but as part of a much wider policy: that of steering the Community back to its original aims of free competition, fair competition and sound economic management. If these aims are the right path to recovery at home, they are equally valid for the rest of Europe.

Indeed, the British self-interest here is in re-asserting the letter of Rome over the spirit of Brussels - in overbidding. Simply because the European market is so rigid to us, much of what is being done so well at home can be advanced by active-headedness in other capitals and by inflexible application of Community rules.

Spain provides a good example. BBC is demanded into shape, in the reach of a 1963 recession, with a 15 per cent cut in capacity over four years. But France, Belgium and Italy have achieved only 15, 12 and 10 per cent each over the same period. All three provide another case. Other European governments, some unwilling to force this principle, sometimes to follow the daily tightening and competitive lead. The Commission remains a frightened to propose the inclusion of "state imposed business conduct" within the scope of its new competition legislation. On

3. EUROPEAN POLICY

The present Government lacks a European policy. Its approach to the Community has been generally positive; the tone, even during the battles over the budget, has been sufficiently clever. Commitment to Europe is not seen as inconsistent with fighting for Britain. But tone and approach are no substitutes for policy: what has been lacking is some overall conception of the sort of Community to which we should belong, and of the shape it should now be taking.

One reason is historical. Before entry and in the early years of membership, Conservative and Liberal supporters were continuously careful to tie in pro-marketiers of the left, even of the far left. The Community was paraded as a kind of ideological smorgasbord that had tempted even French and Italian communists. Even today skeptics in our Labour party are reminded of the socialism that has been possible in France inside, not outside, the Community.

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Across Europe the timing for such a re-appraisal is opportune. The arrival of centre-right governments in Denmark, Holland and West Germany puts Britain, for the first time, in a potentially powerful anti-dirigiste majority amongst the Ten. The campaign for budgetary reform, therefore, should be waged not in isolation but as part of a much wider policy: that of steering the Community back to its original aims of free enterprise, fair competition and sound economic management. If these form the right path to recovery at home, they are equally valid for the rest of Europe.

Indeed, the British self-interest here - in re-asserting the letter of Rome over the spirit of Brussels - is overwhelming. Simply because the European market is so vital to us, much of what is being done so well at home can be undermined by soft-headedness in other capitals and by ineffective application of Community rules.

Steel provides a good example. BSC is hammered into shape, in the teeth of a world recession, with a 52 per cent cut in capacity over four years, but France, Belgium and Italy have managed only 26, 12 and 10 per cent each over the same period. Air fares provide another case. Other European governments seem unwilling to force BA's principal competitors to follow its belt-tightening and competitive lead. The Commission remains too frightened to propose the inclusion of "state-imposed business conduct" within the scope of its new competition regulation. On

internal trade, this government resists domestic pressures to **safeguard** shares of the British market, but another member state is allowed an eighteen month campaign to "reconquer" its own.

But in each of these areas, and right across the spectrum of economic, monetary and commercial activity, we have the Treaty. More often cited than read, the Treaty of Rome is quite specific in its intent. And in most of the fields it covers there is now detailed secondary legislation to ensure that member states put principles into practice. Institutions like the commission and the court, moreover, have powers to promote and obtain compliance.

In **economic** matters, for example, Commissioner Tugendhat has complained that "the public finances of some of the smaller countries are frankly in a mess". Budgets are being overspent, public sector costs spiral, exchange rates chop and change - all of which hits British trade. Yet all member states are bound by Community guidelines, revised and agreed annually, to control budgetary policy more strictly, to manage monetary policy more effectively and to avoid increases in costs. Both commission and council of ministers have policing powers. But, apart from a letter apiece - a letter - to the Belgian and Italian governments in 1981, no action is being taken. Article 108 of the Treaty is not invoked, nor the convergence decision applied. Indeed, four countries, by no means the poorest, are still allowed to maintain "certain protective measures" on the movement of their capital and currencies.

In **industrial** policy, the sectors in crisis are broadly those where there has been greatest state interference. But resolution of their problems is hampered by governments' unwillingness to face up to market realities. Under EEC rules, however, member states are now obliged to ensure clear and complete transparency in financial relations between governments and public undertakings: the commission has powers to require and to produce all the necessary information. At a time when one of British industry's loudest complaints is the extent of the covert subsidies given to its competitors, the transparency directive should now be rigorously applied and indeed extended to cover areas like transport and energy that the UK government is already opening up to market competition.

Competition policy, however, is perhaps the classic example of the current duality of standard. While companies, the real creators of wealth and jobs, can be hounded on suspicion alone of restrictive practice, raided without warning or judicial warrant and fined millions of pounds by unelected bureaucrats, governments flout the rules with impunity. State monopolies are still tolerated, twenty-five years on, in France and Italy. Taxation policies still favour local production. Technical barriers to trade abound and increase despite the Cassis de Dijon and Biologische Producten judgements; even when Court of Justice rulings can be enforced through national courts, practice on damages varies widely, and governments can succeed in frustrating

for years the liberalizing effects intended by the court.

Small businesses are in but large **companies** out (do we not encourage the former to become the latter?). The draft block exemption will in effect restrict our top seven hundred companies in their appointment of distributors; the draft fifth and "Vredeling" company law directives will only apply to companies with over 1,000 employees; mergers are to be controlled on the evidence of concentration ratios, joint commercial ventures discouraged by delays of years in processing notifications of agreements. The procedural rules, though improved, still do not allow for any judicial review of matters of fact, and companies under investigation must fare without the aid of a truly "independent person", as recommended by Lord Scarman's Committee.

Public procurement remains a national preserve, cutting British companies out of a potentially huge market for works, supplies and services. The rules on advertising of all large contracts throughout the Community have simply not been complied with, let alone have led to a really open market. Vast areas of public procurement, such as transport, telecommunications and energy are simply excluded altogether from competitive tendering.

While storage and disposal costs continue to burn up **agricultural spending**, ever more subtle state aids proliferate. The tax-payer loses twice over, and farmers are subsidized at levels that would raise an outcry in industry. Over ten years of membership a loss of £7 billion on agricultural budget transfers has had to be offset against the cumulative gain to GNP of £19 billion on industrial exports. Pending radical reform, Community legislation promised in October 1981 to define criteria for the legality of state aids has not yet appeared. Sanctions, such as enforcing payment of illegal aids or withholding FEOGA money, are discussed but not agreed. The commission, meantime, remains unwilling to impose simple countervailing duties under Article 46 of the Treaty.

Neither **steel** cartel nor **textile** restraints, designed as only temporary, are reducing excess capacity; instead, the true burden is being shifted on to consumers and third country producers alike. Worse, in all such attempts to manage "disruptive" trade, the Community is actually using its muscle to undermine the GATT framework; each time that a European cartel tries to change inconvenient principles or remains deaf to reasonable complaints, the Community's moral authority in world trade matters diminishes. Unless such a policy is radically reversed, similar ploys to freeze world trade "shares" and refusals to adjust to the force of comparative advantage can follow in electronic, chemicals and telematics.

Finally, the Community's structure, with its supporting web of corporatist and intergovernmental Euroquangos, inevitably favours producer lobbies and illiberal member states at the expense of the consumer and the more efficient trader. If "positive" action is once more to be the prerogative of individuals operating under

predictable rules, rather than of governments, then those rules must be clarified, fully and fairly applied, and properly policed.

There is an overwhelming case for a new European policy initiative from Britain, one designed to re-assert the primacy of the principles of the treaty over the practices of the bureaucracy. Accordingly, Britain should take the lead, in conjunction with like-minded allies among the other member states, in pressing for implementation of the Treaty of Rome wherever it has been subverted to our disadvantage by the rule of Brussels. We should initiate legislative tests of the treaty's provisions, pursuing test cases with full national backing. We should introduce similar measures aimed at the same end into the proceedings of the European parliament. We should establish a European research institute to investigate and publish information concerning the baneful effects of some EEC practices, and to publicise its findings widely within the member states.

The time is long overdue for a clear-sighted vision of the future of Europe, and for the policies designed to achieve it. That vision, of a freer more market-orientated community, is already set down in the treaty. A policy initiative from Britain could recover it and bring it into reality.

The absence of a clear British and Western foreign policy in the light of the Soviet threat is particularly unfortunate at a time when the Soviet system and empire are themselves in crisis. There is no co-operation between the Russian administration and its European partners, either on the nature of the problem or on any action the Western Alliance should take. The same is true amongst the European members of NATO.

The crisis in the Eastern bloc

Soviet power and influence among its own allies is falling, which makes it likely to take desperate measures, and therefore a serious threat to the West. Some of the problems include the following:

(1) Although the consumer in the Soviet Union and in Eastern Europe is better off than say, 20 years ago, the system seems by its nature incapable of providing for the needs of the consumer society. Agriculture, which is perpetually backward, is incapable of reaching Western levels of productivity or of feeding the population. The private market, curiously tacitly encouraged by the state, provides a disproportionate amount of the food consumed.

(2) This situation has led to a heavy dependence on Western imports of grain and other foodstuffs, and transfers of high technology, covered by hard credits or loans, initially on

4. THE SOVIET UNION

The greatest challenge that faces the West in general and the United Kingdom in particular, is the expansion of Soviet power. It is a mistake to think of that power purely in military terms, although the USSR has built up the most formidable military machine in history. Soviet power is also exerted in a wide variety of non-military ways, or in low-intensity conflicts. These ways include: training, arms and general support for terrorist groups; subversion and psychological war; propaganda; espionage; and the manipulation of public opinion. In sum, these devices are termed by the Soviets themselves 'active measures'.

These active measures, together with the fact of Soviet military power, constitute a threat to the survival of the United Kingdom and all other members of the NATO alliance. So great is this threat that it must take priority over all other aspects of foreign policy, and to render all regional and economic initiatives subordinate to it.

But it is not difficult to demonstrate that various initiatives in British foreign affairs over the past few years have not only been taken in apparent ignorance of Soviet aims, but have actually contributed to a weakening of the British and Western ability to resist them.

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(2) This situation has led to a heavy dependence on Western imports of grain and other foodstuffs, and transfers of high technology, covered by bank credits or loans, initially on

exceptionally easy terms amounting to a kind of aid programme. All the economic problems of Eastern European countries are bound to increase as the USSR is less able and willing to support them with cheap raw materials, and in particular oil.

(3) In the political and administrative spheres the Soviet system is ideal for the expansion of military power, and Soviet performance in this sphere is better than in other sectors of the economy. However, a high proportion of Soviet technology is of Western or Japanese origin. If it were not available to the USSR, the expansion of its already gigantic military machine would be seriously impeded; or alternatively, could continue only at a possibly unacceptable price in drastically lowered living standards. Thus in a very real sense, the West and Japan contribute to the build up of the Soviet threat to their own survival.

(4) The economic burden of the Soviet empire has become almost unbearable. The cost of the Cuban satellite grows heavier every year, as do others such as Poland.

(5) The rejection of the prevailing ideology by some of the populations of the empire is, from the Soviet standpoint, a worrying development. This rejection is visible everywhere, including the USSR, but it has manifested itself most openly in Poland, where the existence of an independent source of workers' power could not be tolerated. In the face of Western hostility, the Soviet leaders appear to have replaced direct intervention with a new and sophisticated technique: indirect intervention by the Polish army. Two Soviet armoured divisions are permanently stationed in Poland, and the Polish armed forces are totally contained by the framework of the Warsaw pact.

(6) Moscow's authority in the communist world is failing. The French Communist Party (PFC), drifted into "Eurocommunism", although it has rallied completely back to the Soviet line. The Italian Communist Party (PCI) has formally kept its distance from Soviet domination and now finds itself, in consequence, virtually excommunicated.

Western ineptitude

In the face of this crisis the major Western countries are in a seriously weakened state, in comparison with the 1950s and 1960s. America's reverse in Vietnam, followed by the Watergate affair, produced widespread demoralization. The CIA was virtually destroyed as an operational agency. In the United Kingdom, the counter-subversive arm of the Foreign Office, the Information Research Department (IRD), was destroyed in a complex operation in which the CIA defector, Philip Agee, played a leading part. The foreign intelligence and security services (MI6 and MI5) were increasingly bureaucratized. In France, the 5eme Bureaux for psychological war were disbanded by General de Gaulle in the wake of the Algerian war. The internal security service (DST)

remained a highly competent professional force; the foreign intelligence service (SDECE, now re-named DGSE) was operationally active under the long-serving Alexandre de Marenches, but underwent an upheaval as a result of the elections of May 1981. In Germany, the foreign intelligence service (BND) was seriously damaged under the Brandt government, from 1969 on; the same is also true of the internal security service (BfV). The security and intelligence functions of the Royal Canadian Mounted Police (RCMP) have likewise been severely damaged, in part by excessive public exposure. **Therefore, one of the main tasks of the British government should be to re-construct the IRD.**

SOVIET OBJECTIVES

The goal originally defined by Lenin of extending Soviet Communism to all countries of the world without exception continues relentlessly in the face of many, and sometimes painful, setbacks. It is important to remember, however, that the setbacks are purely tactical, and that the strategic advance is always resumed sooner or later.

Leaving aside the continuing world objective, the current Soviet strategic objectives may be defined as follows:

(1) The war of resources

This major, and multiple, objective is clearly the main purpose of the creation of the Soviet oceanic fleet by Admiral Gorshkov after the fall of Khrushchev in 1964. Three main areas are involved: the oil resources of the Middle East; the oil resources of the Gulf of Mexico and the Caribbean Sea; and the mineral resources of South and Southern Africa.

(a) The Middle East. In strategic terms, the Soviet Union controls several countries in the entire region: Afghanistan (which is certainly under Soviet control for military purposes, despite the continuing popular resistance); Ethiopia (which the Soviets preferred to Somalia in the dispute between the two countries); and South Yemen. Between them Ethiopia and South Yemen (PDRY) control the mouth of the Red Sea. Another potential Soviet strong point is Syria, with which the Soviet Union has a far-reaching friendship treaty. Soviet policy has been served by the markedly anti-American character of the Khomeini regime, and the well-disciplined, Moscow-line Tudeh (Communist) party has seized every opportunity to infiltrate into various levels of the administration, in the hope of an opportunity to seize power when the Ayatollah dies or the regime collapses for other reasons.

There is of course a long-term danger in the weakness of the Saudi regime - subject to the firmness or otherwise of American policy, and the development of the American Rapid Deployment Force - in the vulnerability of Kuwait and the United Arab Emirates. Some 70 per cent of Western Europe's oil requirements pass through the Straits of Hormuz (and nearly 90 per cent in the

case of Japan). The occupation of Afghanistan brought Soviet military power to within some 30 miles of the Straits. A key role is played by the friendly and staunchly anti-communist Sultan Quaboos of Oman, and it is essential that he should be able to rely upon British and other Western support.

(b) South and Southern Africa. Soviet power was dramatically extended during the late 1970s by the creation of Marxist-Leninist regimes in the former Portuguese territories of Angola and Mozambique. There was a further indirect extension of that power by the emergence of Zimbabwe. Initially not particularly friendly towards the USSR (which had supported the rival guerrilla group of Joshua Nkomo), the Zimbabwe leader, Robert Mugabe, was nevertheless an avowed Marxist-Leninist. After some initial reluctance to forge links with the Soviet bloc, however, he accepted a North Korean offer to send a military training team to Zimbabwe. The Soviet embassy, and especially the East German one, in Harare (formerly Salisbury) have become potent forces of Soviet subversion in that region.

Perhaps the main threat to the survival of South Africa as a major source of vital minerals lies in Namibia. As with the PLO, the South-West Africa Peoples' Organization has become in effect an instrument of Soviet foreign policy, and its guerrillas (or terrorists) are trained under East German and Cuban supervision. If SWAPO gained control over Namibia, the outcome would be a major strategic victory for the Soviet Union. Not only would the Soviets and their local surrogates gain control of an important territory (itself rich in certain minerals), but the South African port of Walvis Bay (on which Namibia has no legal claim) would be surrounded by hostile territory. Should Walvis Bay fall into Soviet hands, it would provide Admiral Gorshkov with a base potentially able to threaten Western shipping in the South Atlantic.

(c) The South Atlantic. It is important that the problems of Western security should be seen as a whole - encompassing the South Atlantic as well as the Indian Ocean.

In Chile, Argentina and Uruguay, a massive and determined effort was made to overthrow existing institutions and install Marxist-Leninist regimes. In all three cases, the movements concerned were closely affiliated to Cuba through the Latin American Solidarity Organization (LASO), set up in Havana in the wake of a 'tri-continental conference' held there in January 1966. In Chile, the revolutionary government of Salvador Allende was overthrown by the military coup of 1973. In Argentina, the worst outbreak of terrorism of the post-war period was again suppressed by the military regime. The same was true in the smaller neighbouring country of Uruguay. Despite this background, the military government in Argentina readily filled the temporary gap created when President Carter banned the sale of grain to the USSR in January 1980. After that, there was a considerable growth in Soviet-Argentine trade, and after an initial hesitation in the UN Security Council (where the Soviets

abstained on the crucial vote of Resolution 502, which condemned Argentine aggression in the Falklands), the Soviets decided to give full propaganda support to the Argentine side in the dispute. The Soviets are also known to have used their satellite system to keep the Argentine authorities informed of the movements of the British task force.

(d) The Gulf of Mexico and Caribbean. Cuba, totally under Communist control since the late 1960s, remains the main base for revolutionary expansionism, both in Africa and Latin America. The Sandinista guerrillas in Nicaragua were under Cuban high command, and the final offensive of July 1979 created the preconditions for the incorporation of that country into the Communist system. Shortly after their success the Sandinistas sent a delegation to Moscow, where close party-to-party relations were established. Since then, Nicaragua has played an important part in conveying supplies of arms (from the USSR, East Germany, Czechoslovakia, North Vietnam and Cuba) to the Communist-dominated rebel movement in El Salvador. Guatemala, which has considerable oil resources, is under growing threat. The Cubans, of course, were responsible for the building-up of the island of Grenada as another base before it was liberated.

The ultimate targets in the war of resources in the whole region are of course Venezuela and Mexico, along with Guatemala.

(e) Libya and Black Africa. The Soviet Union has had an uneasy relationship with the Libyan leader, Muammar Khadaffi. Initially, his revolutionary ideology appeared to be both anti-Communist and anti-capitalist. The Soviets attempted to bring Libya into their camp in 1976 with what may well be the largest arms deal in history (estimated by the late President Sadat of Egypt as worth \$12 billion). The exact purpose of this gigantic deal has never been absolutely clear, since it far surpassed any conceivable Libyan need for normal defence purposes. However, these arms have proved useful at times for the furtherance of both Libyan and Soviet objectives in Africa; and for the supply of terrorist groups in many countries. Late in 1980, the Soviets encouraged Khadaffi to move into the former French colony of Chad. As with some extremist movements - notably in Latin America in the 1960s - the Soviets feel uneasy with a fanatic of the Khadaffi type, whom they cannot be sure of controlling. The uneasy relationship continues.

(f) Vietnam, Laos and Kampuchea (Cambodia). The Communist victory in 1973-75 was achieved by means of massive Soviet deliveries of modern equipment. Greater Vietnam thereupon became the latest 'remote control' Soviet satellite. The Soviets likewise encouraged the Vietnamese takeover of Laos and the policy of conquering Kampuchea from the genocidal, Peking-supported (but internationally recognized) regime of the Khmer Rouge leader Pol Pot.

These moves by the Soviet Union add up to a clear and growing record of expansionism. There is no doubt at all that, in

deciding the strategic priorities of foreign policy, this threat must be given first consideration. More than any other world development, it threatens the security and the survival of Britain as an independent nation, as well as the values which Britain espouses. Precedence should be awarded to the pursuit of a firm and consistent policy to resist and reverse the advance of this threat.

Western commercial relations with the Soviet Union, and it is time we took steps towards a more hard-headed attitude in these relations. Western credits to the Eastern bloc have been on such easy terms as to amount to what is in effect an aid programme. According to Comconco official figures published in June 1982, the total level of Eastern bloc indebtedness to the West reached the staggering total of US\$ 207 billion for 1981 - an increase of 11 per cent over the previous year. The net figures of Eastern bloc indebtedness to Western banks are these:

Soviet Union:	\$15.5 billion (increase of 4 per cent over 1980)
Poland:	\$2.1 billion (13 per cent up)
Romania:	\$2.3 billion (3.3 per cent up)
DDR:	\$11.3 billion (17.7 per cent up)
Czechoslovakia:	\$2.6 billion (1.3 per cent up)
Hungary:	\$1.8 billion (1.4 per cent up)
Bulgaria:	\$2.1 billion (19.1 per cent down)

Western countries already "over-indebted" debts to enable certain countries (notably Poland) to repay the interest on previous loans, the principal remaining unpaid. But this creates the possibility of Eastern bloc debt exceeding national levels, and if the Soviet Union and its satellites were in effect declared themselves bankrupt, the result could be the bankruptcy of the Western banking system as well. The West German banks are already under severe strain in relation to credits made available to Poland in particular.

Underlying the whole pro-nonsense position is a fundamental view of western power, and a skepticism over the extent and possibility that the free world has to influence or control Soviet policy. The western capitals are seen to have little choice but to seek a stable and co-operative relationship with Moscow.

NEW INITIATIVES

There are differences between the two sides of the Atlantic on the East-West trade issue, and crucial divergencies within NATO. Britain can play a vital role in supporting the United States policy towards the East. With the election of a CDU/DFU government in Bonn this task will be made a little easier. Perhaps most importantly, the British government needs to be supported by the American perception and analysis of the degree to which credit to expand and to which the Eastern bloc strategically, and indeed the threat it poses to the free world.

OECD countries need a special global strategy and perspective to deal adequately with the resource war and the problems of East-

5. EAST-WEST TRADE

Although commercial relations with the Eastern bloc should be maintained, certain conditions should be insisted upon by the Western side. Illusions and wishful-thinking have always characterized Western commercial relations with the Soviet Union, and it is time we took steps towards a more hard-headed attitude to these relations. Western credits to the Eastern bloc have been on such easy terms as to amount to what is in practice an aid programme. According to Comecon official figures published in June 1982, the total level of Eastern bloc indebtedness to the West reached the staggering total of US\$ 80.7 billion for 1981 - an increase of 11 per cent over the previous year. The net figures of Eastern bloc indebtedness to Western banks are these:

Soviet Union:	\$19.5 billion (increase of 44 per cent over 1980)
Poland:	\$24 billion (136 per cent up)
Romania:	\$9.6 billion (5.5 per cent up)
DDR:	\$11.3 billion (17.7 per cent up)
Czechoslovakia:	\$3.6 billion (2.9 per cent up)
Hungary:	\$7.8 billion (5.4 per cent up)
Bulgaria:	\$2.3 billion (28.1 per cent down)

Western countries already "re-schedule" debts to enable certain countries (notably Poland) to repay the interest on previous loans, the principal remaining unpaid. But this creates the possibility of Eastern bloc debt growing to astronomical levels; and if the Soviet Union and its satellites then in effect declare themselves bankrupt, the result could be the bankruptcy of the Western banking system as well. The West German banks are already under severe strain in relation to credits made available to Poland in particular.

Underlying the whole pro-commerce position is a limitationist view of western power, and a skepticism over the extent and possibility that the free world has to influence or coerce Soviet policy. The western capitals are seen to have little choice but to seek a stable and co-operative relationship with Moscow.

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There are differences between the two sides of the Atlantic on the East-West trade issue, and crucial divergencies within NATO. Britain can play a vital role in supporting the United States policy towards the East. With the election of a CSU/CDU government in Bonn this task will be made a little easier. Perhaps most importantly, the British government needs to be supportive of the American perception and analysis of the degree to which trade and commerce can help the Eastern bloc strategically, and increase and the threat it poses to the free world.

OECD countries need a special global strategy and perspective to deal adequately with the resource war and the problems of East-

West trade. Britain can take the lead in proposing new initiatives.

(1) The EEC, the USA and allies should stop all low interest loans to their potential enemies. Trade must slowly be moved onto a direct payment basis. Buyback agreements should be strongly discouraged and the British government should not underwrite any agreement by a private firm which includes a buyback clause of more than fifteen per cent of total value of the said agreement. We should discontinue the supply of cheap EEC butter to the Soviet Union. **The West is under no obligation to do more for the Soviet Union than the United States did for Britain when war broke out in 1939, and when the American arms embargo was replaced by "cash and carry".** If the Soviet Union and its satellites want to buy Western goods they should be required to pay cash.

(2) Approximately 80 per cent of Soviet technology since 1980 has come from the West. The EEC, the United States and allies should discontinue this policy of supplying advanced technology which the Soviet Union would not be able to acquire by other means. Co-ordination between OECD countries is paramount. Lack of co-operation could have the potential danger of breaking up NATO.

The development of high technology in recent years has made the old Co-Com (Co-ordination Committee for Multilateral Controls) list of embargoed strategic items obsolete. There should be a total ban on the transfer of high technology, for two simple and obvious reasons: such transfers relieve the ailing Soviet system of the drain implicit in developing such technologies for itself; and they contribute directly to the Soviet military machine which threatens the West.

This should be done by increasing the Co-Com list to conform more closely to the US Commodity Control list (CCL). The nature of Co-Com should be made "more explicit" by:-

- (a) Recognizing the organization by a formal treaty
- (b) Improving efficiency and accountability
 - 1) Establish detailed timetables and deadlines for review of application for validated licences
 - 2) Establish procedures by which applicants could take legal action against governments if undue delays occur
 - 3) Improve reporting to applicants on the reasons for denial of application
- (c) Improving the monitoring of trade in technology
 - 1) Obtain a clear definition of what represents technology
 - 2) Explain the definition of 'high technology' products
 - 3) Decide with Soviets on a measure for the level of activity conducted between OECD and CMEA countries
 - 4) Develop a way to acquire accurate, up-to-date, and easily accessible information on the amount of turnkey

facilities constructed by western companies in CMEA countries

(d) Increasing the policing of Co-Com decisions and/or formalizing sanctions to be used against transgressors in member nations.

(3) A tactical policy of economic response should be planned by OECD countries to respond to hostile acts, be they direct as in Afghanistan and Czechoslovakia, or indirect as in Poland and Angola. The responses need to foresee a wide range of scenarios and plan accordingly. The measures which could be taken need to range from cutting or postponing economic delegations to CMEA countries to stopping deliveries of goods, i.e., pipes for the gas pipeline and/or grain.

(4) The Soviet military and merchant fleets have expanded enormously. The expansion of the highly subsidized Soviet merchant fleet has been a contributing factor for the decline of the British merchant fleet and therefore to the loss of jobs. The Trans Siberian Railway which is running approximately 25% of all deliveries from Europe to the East and back has also played an important role in the decline of western shipping. Certain trade routes have disappeared altogether for western shipping. The OECD countries should agree on a radical restriction of goods which are transported in Soviet vessels and by the Trans Siberian Railway. The Soviet Union is buying into canal companies in Western Europe, as part of the Soviet international transport strategy. EEC countries should legislate to ban this activity.

(5) Customs officers are not dealing adequately with the enforced labour content of Soviet materials. The fact that enforced labour is used on the Trans Siberian Railway and on the network of gas pipelines in the USSR needs to be brought home and acted upon by western governments. More rigorous standards need to be applied in Britain, the EEC and the United States and goods which have been produced by this type of labour should not be imported into OECD countries. An OECD commission should be set up to monitor such goods and advise OECD governments.

(6) Soviet strategy in Southern Africa threatens the West's supplies of essential minerals. This should be seen against Soviet policy of stockpiling essential minerals which they do not need for their own purposes. France and the United States are stockpiling certain essential minerals. We should do the same.

(7) The transfer of information through academic and scientific exchange programmes should be controlled by limiting the subjects and facilities to which visiting scientists and scholars are admitted.

6. COMMUNICATION

(A) STRATEGIC PLANNING

There can be no question that, if one measures the volume of intelligence material gathered, then the Soviets, and the satellite services controlled by them, must be judged far superior to their Western counterparts. These advantages, however, are redressed by Western proficiency in technical intelligence gathering and by better analysis. In one area, however, the Soviet bloc is far superior to the West, and that is in the field of covert action.

The area of covert operations includes, the creation of front organizations and most importantly developing a political climate in which Marxist-Leninist ideology become the norm. As Pravda put it at the height of detente, 'The struggle against bourgeois ideology is not a campaign, not a temporary task, but our day-to-day and most important cause'.

To further this 'cause' the Soviet Communist party has as its instrument the International Department (ID) which is the direct descendant of the comintern - the Communist Third International - established by Lenin in 1919 to spread communism 'to all countries of the world without exception'.

The head of ID is Boris Ponomarov who in effect is responsible for subversion, espionage, disinformation, psychological war and support for 'national liberation organizations.' These operations are known as 'active measures', (aktivnyye meropriyatiya).

The Soviet concept of 'active measures' is broader than the range of activities assumed under western understanding of the term covert action. While the Soviets employ similar techniques associated with covert action, many active measures include overt or semi-overt as well as clandestine elements. Unlike the West, where covert action is limited to intelligence personnel and kept separate from government or private activity, the Soviet Union uses party and government officials, unofficial person, journalists, academics and representatives of 'public' organizations.

The very nature of this Soviet global ideological and military threat has posed particular problems for all the open, plural democracies in the world as to how they should set about countering it.

A Co-ordinating Body

No organization exists which can provide the leadership needed nor could any existing government department be modified to carry out this task.

What is needed is an entirely new entity with an entirely new staff, (not present or retired diplomats, as their frame of mind and approach is unsuitable for the task), and an entirely new brief. It should not be under the control of the Foreign and Commonwealth Office.

We recommend that a sub-committee of the Overseas and Defence policy Committee of the Cabinet should be established with its own very small secretariat in the Cabinet Office working closely with the Joint Intelligence Committee. Like the intelligence services, its activities should not be subject to parliamentary scrutiny. As with the Security Commission, its head should have direct access to the prime minister.

Its brief should be to carry out a continuing assessment of the nature of the Soviet global, ideological and military threat and other active measures directed against this nation, and to take action to counter these threats.

The spectrum of conflict should be divided into two main parts: firstly, and most importantly, would be the defensive aspects of the survival of the freedom of the non-Communist world, and secondly, would be the fostering of freedom, democracy and human rights in the Communist and authoritarian countries. (A British version of the Democracy Program of the Reagan Administration).

Defensive role

1. The committee would supervise the collection, assessment and distribution of information on enemy techniques of penetration, infiltration and terrorism covering political, propaganda, economic, subversive and military warfare, and to anticipate where such activity is about to break out. Regular briefings for the media on foreign disinformation techniques and current operations would be required. The organization of 'single issue' campaigns, in co-ordination with non-government groups, to counter foreign inspired 'active measures' operations is also important.

2. To co-ordinate British efforts in co-operation with Commonwealth, allied and friendly countries as regards political, technical, financial, educational and military policies and strategies to prevent the further spread of such anti-democratic forces including not only states in the Warsaw Pact but also those in other hemispheres.

Outreach role

1. To co-ordinate the work of the Overseas Information Service in explaining British political policies and points of view to the world and to ensure that the content of such information presents the values of a plural society, multi-party democracy, human dignity, human rights, civil liberties and religious freedom to repressive regimes.

2. To develop direct and indirect links with democratic groups operating within the Eastern bloc, the aim of this co-operation being:-

- (a) to provide moral and material support for those democratic groups,
- (b) to help these groups find media outlets in Britain, and to develop political contacts and understanding,
- (c) to promote the ideas of self-determination, democracy and human rights within the Eastern bloc.

Method of operation

The very small staff should concentrate their efforts on long-term strategic planning and co-ordination. They would not be primarily an operational body but would co-ordinate other bodies in carrying out operations, and implementing strategies. They would use the existing outlets of the present Overseas Information Service, the Overseas Information Department of the Foreign and Commonwealth Office (including the revived Information Research Department), existing government departments for foreign affairs, defence and economic matters, the Central Office of Information, the External Services of the BBC, and the British Council. It would be able to recommend an expansion and an increase in the allocation of funds of these organizations where necessary.

The bulk of the written and spoken information work, should be sub-contracted to independent organizations whose proven commitment of upholding democracy and Western values has been well established.

The expenditure of what would be very small sums of money would reap a disproportionate harvest in countering global ideological warfare.

(B) COMMUNICATION

It has long been an assumption of British policy that peace is better served by communication between peoples. In addition to various cultural, academic and youth exchanges which have been promoted, an extensive range of overseas broadcasts has been maintained, subject in recent times to the cuts imposed by the need for savings to be achieved. There is no doubt of the value of the news and current affairs broadcasts of the World Service of the BBC in supplying information unobtainable elsewhere. The voice of Britain speaking by such means enjoys a trust and a reputation for impartial reporting which would be the envy of any service broadcasting propaganda.

The advent of a new technology presents an opportunity for conveying information about Britain and the Western way of life to a large number of peoples whose present knowledge is largely restricted to what their governments will allow them to learn.

The widespread ignorance about life in the West by people living behind the iron curtain is a product of deliberate distortion by their own governments. A careful selection of printed sources combines with inaccurate accounts by the electronic media to give an unrealistic picture of life in the free societies.

The growth of direct television broadcasting from satellites opens upon a new area of opportunity. With comparatively simple equipment, it is now possible for television signals emanating from the West to be received by a large proportion of people living in the Eastern bloc. While it is technically possible for propaganda stations to broadcast direct to receivers in iron curtain countries, this would run counter to the process of international convention on the subject to which Britain has been a party.

The Soviet bloc has been anxious, not surprisingly, to outlaw such country-to-country propaganda broadcasts. The retention of a monopoly of information is seen as vital to the survival of the Soviet system. Britain has generally gone along with this line in order to secure international agreement on allocation which would otherwise have been impossible.

The advance of technology has now opened up a totally new opportunity, compatible with the Mexico and other conventions. It is now possible for regular Western broadcasts intended for their own countries to be received in much of the Eastern bloc. There is a good case for supposing that regular television broadcasting by Western European countries provides access to knowledge of the free world more surely and more credibly than would mere propaganda (which would tend to be discounted).

New equipment means that the 'footprint' of a satellite broadcast (that is, the area over which it can be intelligibly received) can be much larger than previously thought. The satellites serving Western Europe could be received in a large part of the East.

There are two positive steps which could be taken to use the opportunities which the new technology presents. The first requires the necessary equipment to be available for conversion of receivers. It is recommended, therefore, that assistance be given toward the development of cheap, simple units, and that these should be made available to groups capable of distributing them to potential users. It may be possible to devise units which can be manufactured locally in large numbers with the help of small, high technology components brought in from the West. The new co-ordinating committee of the Oversea and Defence Committee would be the most suitable body to direct and implement this work.

A second step would be required to surmount the language problem. The ordinary television schedules of Western Europe are, of course, in languages unfamiliar to those who would now be capable of receiving them in the East. The most cost-effective

solution would be for the simultaneous broadcast of voice-over translation into the appropriate languages. Custom-made foreign language broadcasts would go against the conventions we have accepted; dubbing would be difficult and expensive. Voice-over translation into the required language would give foreign viewers access to normal Western television programmes, with simultaneous sound in their own language.

The World Service of the BBC is undoubtedly the organization with the expertise to perform this additional task, and should have made available to it the facilities necessary to equip it for the operation. Britain should seek the co-operation of other Western governments in co-ordinating this task.

Broadcasting of this type is difficult to jam. We should certainly make no attempt to prevent the Eastern bloc similarly supplying Western viewers with sound in their own languages. It is very doubtful that the technology exists to take effective counter-measures against it.

What is more certain is that people living in the Eastern bloc, having access to the ordinary television broadcasts of the Western countries, would be far less susceptible to the deceptions of their own governments, and far more aware of conditions in the West and of events in the world. The spread of this information would make a substantial contribution to international understanding. By allaying the susceptibility to suspicion and fear which is possible in ignorance, it would make an equally substantial contribution to peace itself.

7. OVERSEAS AID

INTRODUCTION

There is a widespread consensus among political and intellectual leaders in favour of development aid provided by Western governments to governments in developing countries. The Thatcher government came into office in 1979 pledged to reduce public expenditure, but held development aid stable in real terms at the same time as it was trying to reduce domestic welfare expenditure. Overseas Development expenditure has grown and is planned to grow, as the table shows:-

	78-79	79-80	80-81	81-82	82-83	83-84	84-85
£ Million	775	869	996	1,083	1,069	1,140	1,210

Even the present Conservative government, attacked by the "aid lobby" for being unsympathetic, has continued to support this programme. Yet the justifications for such aid are weak; government aid acts as a destructive element to economic progress; and alternative means of promoting development exist.

FALLACIOUS JUSTIFICATIONS FOR AID

Six main justifications for government-to-government aid are usually provided by the aid lobby:

1. Aid for development The necessity of aid for development is an implicit assumption of the advocates of development aid. Without aid, it is believed that developing countries are incapable of achieving economic growth. Clearly, however, development did occur before foreign aid existed, not only in the Western industrialized countries but also in South East Asia, West Africa and Latin America. Capital can always be borrowed for enterprises that can be expected to use that capital productively. The existence of the massive foreign debts of many developing countries was caused by the unproductive use of capital. There is no relationship between the amount of aid a country receives and its rate of economic growth. Those countries experiencing a high rate of growth such as Hong Kong, South Korea, Singapore, Malaysia, etc., in fact receive little aid compared to many countries showing low growth. Aid is not necessary for development.

2. "Aid is morally correct". Most public campaigns by the aid lobby to create public support for more government aid use pictures of starving children, and people in extreme poverty. It is presented as similar to private charity, but the situation is

totally different. Money is extracted from Western taxpayers without consent, and is not a moral act, which would require free decisions. As Mrs Thatcher told the Zurich Economic Society in 1977, "Choice is the essence of ethics: if there were no choice, there would be no ethics, no good, no evil; good and evil have meaning only in so far as man is free to choose." A free donation to a private charity like Oxfam might be a moral act, but it cannot be one exercised coercively through taxation. Neither is a government minister behaving morally when he gives away any people's money to foreign governments.

3. **"Aid relieves poverty"**. Another fundamental misconception is that aid goes to the poorest people. In fact, of course, it goes to the third world governments. It increases the resources available to the wealthiest and best educated members of the country, and it is usually spent on the urban masses, who are a greater political threat to the rulers than the poorest situated in rural areas. Furthermore, if aid is an obstacle to development (as argued below) then aid reduces growth and the resources that would be available to the poor. There is no relationship between aid and the reduction of poverty.

4. **Aid as egalitarianism**. It is popular for aid advocates to compare the standard of living of Westerners and that of the "average" person in a developing country. This is followed by expressions of regret that these "inequalities" exist, and demands for the international redistribution of income, with aid as a means of promoting international equality. There are a number of problems with this argument. Firstly, international comparisons of income differences are notoriously difficult. Secondly, economics is seen as a zero-sum game, where the living standards of the British can only have been achieved at the expense of the developing countries. In fact, genuinely free exchanges are positive-sum, in the interests of both sides. Thirdly, the governing rulers are confused with the people while the former are frequently better off than many of the Western taxpayers forced to provide them with resources. Fourthly, and most important of all, economic differences (not "inequalities") are often the result of ability, hard work, ambition and enterprise, and the encouragement of these qualities would do more to encourage greater "equality" than the pursuit of the redistribution of income. Egalitarianism reduces growth, and does not promote it.

5. **Aid as restitution**. A growing argument of third world leaders is that they have a right to aid as restitution for the damage caused to them by imperialism and neo-colonialism. This effectively appeals to those with a sense of Western guilt about our imperial past. This view, however, ignores the fact that those parts of the developing world with the most contact with the West have achieved greater progress than those with the least. Contrast West Africa with Central Africa.

Indeed, some of the poorest countries have never been colonies - such as Tibet and Nepal - while one of the greatest development

success stories, Hong Kong, has long been and remains a colony. Frequent references to the slave trade by these advocates ignore that slavery was not practiced in Asian colonies and the land where it was most widely practiced, West Africa, has been relatively successful. Furthermore, some of the richest countries in the West, such as Sweden and Switzerland, have never had colonies. There is no case for aid as restitution. Indeed, it can be strongly argued that many countries benefited from their former colonial status.

6. Aid as self-interest. The view that aid is in the interests of the donor countries has been most forcefully argued in the recent Brandt Commission Report. This argument takes various forms. Firstly, that aid encourages Western exports to third world countries, but as the West provided the money as a gift, it is simply getting its own money back. (Presuming it is spent in the West). It is simply an indirect form of subsidy from the taxpayer to the Western exporter. Secondly, that aid encourages long term growth and therefore bigger markets for Western goods. This would be true if aid did encourage growth, but, as argued below, it does the opposite. Thirdly, it is in our strategic interests to provide aid to keep friends in the Third World and prevent them falling in to the hands of the Soviet Union. The problem with this is that there is no evidence that the recipients of aid are more pro-Western (the United Nations shows this); aid-giving policies have not been directed at strategic friends, but often at unfriendly nations such as Vietnam, Cuba and Kampuchea; and recent movement has been towards avoiding any political strings, through the use of multilateral agencies. The development of freedom and prosperity throughout the world is in the interests of the West, but that is not promoted by foreign aid. The major justifications for government-to-government aid are fallacious, but even more importantly aid has a negative effect on development.

THE DESTRUCTIVE EFFECTS ON AID

Government aid has a negative impact upon development through the politicisation of decision-making; the encouragement of wrong policies; the enabling of unproductive policies; the encouragement of wrong attitudes; the distortion of exchange rates and the money supply; and the creation of a Third World bloc.

(1) Politicisation. Government aid is given to foreign governments, and thus strengthens the power of government and politicians. The individual who wishes to succeed thereupon directs his energies to the achievement of political power rather than the production of goods and services. The ability to "get on" depends on contacts with government, whether you one obtains import or export quota, sales licence or public subsidy. The creation of government monopolies increases the degree of corruption and incompetence. The minimization of government to the provision of order, stability and security would be more

productive for growth.

(2) Wrong economic policies. Aid has encouraged bad economic policies through the conventional wisdom of Western development "experts". The influential Professor Gunnar Myrdal stated that, "The special advisers to underdeveloped countries who have taken the time and trouble to acquaint themselves with the problem, no matter who they are.... all recommend central planning as the first condition of progress." Central planning has been as disastrous for developing economies as it has been for communist ones.

It is those countries which rejected the road to planning in favour of free market policies which have progressed the most, the so-called Newly Industrialized Countries (NICs). Planning leads to massive capital malinvestment into heavy industries such as steel, or high prestige projects such as airlines. Planning prevents the role of prices in balancing supply and demand, and thus encouraging entrepreneurship. Aid has been frequently provided with the explicit or implicit proviso that it is used to support collectivist economic policies. Aid has encouraged socialism rather than the market.

(3) Fiscal distortions. The introduction of large scale foreign aid forces up the exchange rate of the third world currency, and rapidly increases the domestic money supply with consequent increase in inflation.

(4) North-South conflict. Contrary to the claims of its advocates, aid increases North-South conflict because it is responsible for the very concept. Developing countries are highly heterogeneous, from Mexico to Fiji, from Saudi Arabia to Vietnam, India to Uruguay, Cuba to Liberia. It includes OPEC countries, Communist nations, and poor remote areas unknown to most people. The only thing they have in common is that they all receive Western aid, and this gives them a vested interest in increasing that aid. The third world bloc in the UN, known as the Group of 77, acts as a chief critic of the West, with the knowledge that hostile activity in international areas has no consequences for the receiving of aid. On the contrary, the UN has provided them with the forum to pursue the New International Economic Order (NIEO) designed to obtain even more resources from the West. Aid is a source of North-south conflict, and not the solution.

A POSITIVE APPROACH TO DEVELOPMENT

Our Overseas aid transfers to third world governments should be phased out as soon as possible, and replaced by a new, positive approach to development. Only short-term disaster aid and military aid should be retained in the long run in direct form. The Government should stress that the case against foreign government aid is not based upon a lack of concern or interest for those in need in the undeveloped world.

1. Free Trade

The West should fight against the new protectionism within its own countries, a protectionism as much aimed at cheap imports from developing countries as from Japan. The chief spokesmen for the new protectionism are usually on the left: trade unions concerned to protect their members' jobs against competition, academics from the Cambridge strategy of isolationism, and politicians eager for populist votes. The law of comparative advantage shows that the interests of every nation is to concentrate on those goods and services where it has a comparative advantage even though it may not be an absolute advantage. A policy of free trade not only is the greatest contribution the West can make to development, it also reduces prices for the Western consumer¹.

2. Pluralism

The dispersal of power within developing nations would provide the best check upon an overdominant government and the best basis for the achievement of freedom and democracy. The West should encourage pluralist developments, through independent groups such as political parties, labour unions, employer organizations, journalists, religious, social, women and youth organizations. The protection of freedom in the West, the source of all creativity including in the economic field, arises from the checks upon the power of the state. The West should consider a policy of supporting these mediating structures between the individual and the state, and examine the work of the Konrad Aderauer Foundation in the Federal Republic of Germany, and President Reagan's proposal for an Institute for Democracy.

3. Directed aid

If an immediate end to direct government aid is politically impossible, Western governments must determine their own priorities on the basis of the development strategies of the various nations. The UN Declaration on the New International Economic Order stated that "Every country has the right to adopt the economic and social system that it deems to be the most appropriate for its own development and not to be subjected to any discrimination of any kind as a result". The idea that aid should be provided regardless of the consequences to either the donor country or the people of the recipient nation is ridiculous. The West has no right to impose its views on development on another country. It does have the right to determine that its aid is used productively. Preference for aid should be directed towards those countries which have relatively free policies on international trade, private capital investment, the domestic free market and political expression. While no

1 See the Omega Trade Policy Report

country will be totally satisfactory in these matters, it would prevent the travesty of providing aid to a government like Vietnam when it is persecuting its own people, as well as others.

This approach rules against commodity agreements (which raise prices for the poorest countries with few goods to export) and multilateral agencies. The ability to assess the results of aid giving requires that bilateral aid should be in a form that enables public and parliamentary assessment.

4. Political and military aid

Order, stability and security is an important condition for economic development, but political and military aid should be separate, explicit and the responsibility of the Ministry of Defence.

5. Western values

Western relations with developing nations should be based on the values of political and economic freedom. Western politicians should clearly articulate the case for real development, as President Reagan has attempted to do, albeit with little support from other Western nations. An inheritance of Western guilt should be replaced by a vigorous promotion of the application of Western ideas to development.

6. Encouragement for economic development

Far more useful than the hand-over of quantities of Western taxpayers' funds to inexperienced third world governments is the provision of advice and encouragement to those governments to develop successful market economies of their own. This positive aid could take a variety of forms, such as:-

(a) The provision to interested third world countries of teams of British academics and businessmen to advise on economic policy. These teams would develop a complete programme for each country to dismantle tariff barriers, reduce public expenditure and remove obstacles to enterprise and development. Britain has a wealth of experience in how to promote successful economic development in its colony of Hong Kong, and this experience should be drawn upon heavily when the teams of advisers are being formed.

(b) The establishment of freeports in developing countries, Britain should make bilateral agreements with third world countries to set up freeports in those countries. Britain would provide the expertise to establish the freeport, which would be an area completely free of regulations and taxes, and completely open to trade. The area should also have land nearby onto which it could expand. In return Britain should offer tax concessions

to British companies and financial institutions who invest in the freeport. They should be able to import their profits at lower rates of tax. It is expected that these freeports would become a focus for enterprise in the third world and stimulate development in the rest of the countries in which they were situated.

CONCLUSION

The debate on development has been dominated by collectivists, with a distinct lack of interest by free market spokesmen (with a few honourable exceptions). It has been allowed to become a collectivist issue, which non-collectivists have preferred not to discuss. Instead it should be an issue for those who believe in freedom, because in the developing countries it is freedom which provides opportunity.

1. A new European Community initiative should be undertaken in co-operation with like-minded allies in the ERM, to support the priority of the Treaty of Rome over the practice of national legislative acts, which should be initiated for the benefit of the initiatives introduced into the European parliament.
2. European Economic Community should be strengthened in investment and distribution information concerning the harmful effect of certain EEC laws.
3. There should be greater recognition that the economic threat posed by Soviet expansion requires a co-ordinated and consistent response throughout the areas of policy.
4. Low interest rates on essential administrative charges to be set out, with trade moves made more to a direct payment basis. An agreement by a private firm should be undertaken by government if it included a buyers' choice exception for part of the value.
5. The Co-ordination Committee for International Controls should have its list increased to include more closely to the EC Commodity Control list. The agreement itself should be incorporated into a formal treaty with provisions for monitoring the trade in technology, and for collecting its decisions.
6. A tactical approach to the EEC should be prepared by advance agreement as contingency for meeting hostile acts with a unified response.
7. Britain should seek an EEC agreement to control imports of exports transported in Soviet vessels by the Trans Siberian Railway.
8. EEC legislation should be applied to prevent potentially hostile nations from buying into European central companies.

III CONCLUSIONS

1. A National Security Council should be established, with the status of a department, and with its own staff. It should have access to intelligence from secret and diplomatic sources and should come under the direct authority of the prime minister.
2. Britain should take the lead in the setting up of a league of democratic nations, with qualification credentials determined by an international panel of eminent jurists. This body would serve as a forum for expression of the common values and aims of governments which represent their peoples.
3. Britain should lead the non-signatories to the Law of the Sea Treaty into a Reciprocating States Agreement, which would rapidly establish itself as an alternative for co-operative mining of the deep seabed.
4. A new European policy initiative should be undertaken, in co-operation with like-minded allies in the EEC, to reassert the primacy of the Treaty of Rome over the practices of Brussels. Legislative tests should be initiated for the courts, and initiatives introduced into the European parliament.
5. A European Research Institute should be established to investigate and disseminate information concerning the harmful effect of certain EEC practices.
6. There should be general recognition that the strategic threat posed by Soviet expansionism requires a co-ordinated and consistent response throughout all areas of policy.
7. Low interest loans to potential adversaries should be phased out, with trade moved much more to a direct payment basis. No agreement by a private firm should be underwritten by government if it includes a buyback clause exceeding fifteen per cent of the value.
8. The Co-ordination Committee for Multilateral Controls should have its list increased to conform more closely to the US Commodity Control list. The organization itself should be reorganized into a formal treaty with provisions for monitoring the trade in technology, and for policing its decisions.
9. A tactical economic response should be prepared by advance agreement as contingency for meeting hostile acts with a unified response.
10. Britain should seek an OECD agreement to control imports or exports transported in Soviet vessels or by the Trans Siberian Railway.
11. EEC legislation should be sought to prevent potentially hostile nations from buying into European canal companies.

12. An OECD commission should be established to monitor and advise on the use of enforced labour in goods and services bought by member states.

13. Britain should establish stockpiles of certain essential minerals not presently stored for strategic reserve.

14. The Information Research Department of the foreign office should be reconstructed.

15. A sub-committee of the Oversea and Defence Committee should be set up to co-ordinate strategic planning, and to counter active measures directed against the interests of this country.

16. Britain should help to make ordinary Western television broadcasts available to viewers within the Eastern bloc by developing cheap, simple units for distribution to potential users, and by supplying through the BBC World Service, a voice-over translation service in various languages required.

17. Protectionism in trade should be resisted, and markets provided for the goods produced by the third world.

18. Direct government-to-government aid should be gradually replaced by a form of assistance calculated to stimulate economic growth in the target countries.

19. Action Development teams should be made available from Britain to assist third world countries to develop economic programmes based on liberalizing trade and creating investment and entrepreneurial opportunities.

20. Bilateral agreement should be negotiated with third world countries, whereby Britain gives differential advantage to investment there, as part of a freeport and deregulatory package designed to stimulate enterprise and accelerate economic development.

21. FAR EAST
22. Far Eastern Countries
China, Japan, Korea, Macao, Mongolia
23. South East Asian Countries
Brunei, Burma, Cambodia and Kampuchea, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam, Laos Association of South East Asian Nations
24. South Asian Countries
India, Pakistan, Bangladesh, Sri Lanka, Afghanistan, Nepal, Bhutan, the Maldives
25. South Pacific Countries
Australia, Fiji, Kiribati, Micronesia, Vanuatu, New Zealand, Papua New Guinea, Solomon Islands, Tonga, Tuvalu and Western

APPENDIX 1

Geographical Divisions at the FCO

I EUROPE

- i) European Community Department (Internal).
Questions relating to the internal working and development of the European Community. Parliamentary and legal aspects of Community membership.
- ii) European Community Department (External).
Questions involving the European Community's relations with third countries, and European political co-operation.
- iii) Eastern Europe and Soviet Department.
The Soviet Union, Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Romania and Yugoslavia.
- iv) Republic of Ireland Department.
Political and Economic relations with the Republic of Ireland, Northern Ireland questions affecting relations with the Republic and with other foreign countries.
- v) Southern European Department.
Andorra, Cyprus, Gibraltar, Greece, Malta, Portugal, Spain, and Turkey.
- vi) Western European Department.
Political relations with Austria, Belgium, Denmark, Finland, France and Monaco, Federal Republic of Germany, Berlin, the German Democratic Republic, Iceland, Italy, San Marino, Luxembourg, Netherlands, Norway, Sweden, Switzerland (with Liechtenstein) the Holy See, Western European Union and Council of Europe.

II FAR EAST

- i) Far Eastern Department.
China, Japan, Korea, Macao, Mongolia.
- ii) South East Asian Department.
Brunei, Burma, Cambodia and Kampuchea. Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam, ASEAN (Association of South-East Asian Nations).
- iii) South Asian Department.
India, Pakistan, Bangladesh, Sri Lanka, Afghanistan, Nepal, Bhutan, the Maldives.
- iv) South Pacific Department.
Australia, Fiji, Kiribati, Nauru, Vanuatu, New Zealand, Papua New Guinea, Solomon Islands, Tonga, Tuvalu and Western

Somoa.

III AMERICA/ THE MIDDLE EAST

- i) Middle East Department.
Bahrain, Iran, Iraq, Kuwait, Oman, People's Republic of Yemen, Qatar, Saudi Arabia, United Arab Emirates, Yemen Arab Republic.
- ii) Near East and North Africa Department.
Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Sudan, Syria and Tunisia, Western Sahara, Arab Israel dispute, Euro-Arab Dialogue.
- iii) Mexico and Caribbean Department.
Bahamas, Barbados, Belize, Costa Rica, Cuba, Dominican Republic, Dominica, El Salvador, French Guiana, Grenada, Guadeloupe, Guatamala, Guyana, Haiti, Honduras, Jamaica, Martinique, Mexico, Netherlands Antilles, Nicaragua, Panama, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago.
- iv) North America Department.
Canada and the United States; outlying regions under US jurisdiction.
- v) South America Department.
Political and economic relations with the countries of South America; South American regional organizations; Antarctic regions; external relations of the Falkland Islands.

IV AFRICA/ SOUTH OF SAHARA

- i) Central African Department.
Angola, Burundi, Mozambique, Rwanda, Sao Tome and Principe Zaire and Zambia and Zimbabwe.
- ii) East African Department.
Djibouti, Ethiopia, Kenya, Madagascar, Mauritius, Reunion Seychelles, British Indian Ocean Territory, Somalia, Tanzania.
- iii) West Africa Department.
Nigeria, Ghana, Sierra Leone, The Gambia, Liberia, Mauritania, Senegal, Guinea Bissau, Guinea Mali, Upper Volta, Ivory Coast, togo, Benin, Niger, Chad, Camerom, Gabon, Congo, Central African Republic, Equatorial Guinea, Cape Verde.

V DEPENDENT TERRITORIES AND ASSOCIATED STATES

- i) Hong Kong and General Department.
Hong Kong: Administration, Relations with the United Kingdom

and external relations. General: Policy and advice on subjects of common interest to dependent territories; Colonial Regulations, postage stamps policy, Senior administrative, legal and judicial staffing of dependent territories and Her Majesty's Overseas Civil Service; terms of service.

ii) West Indian and Atlantic Department.

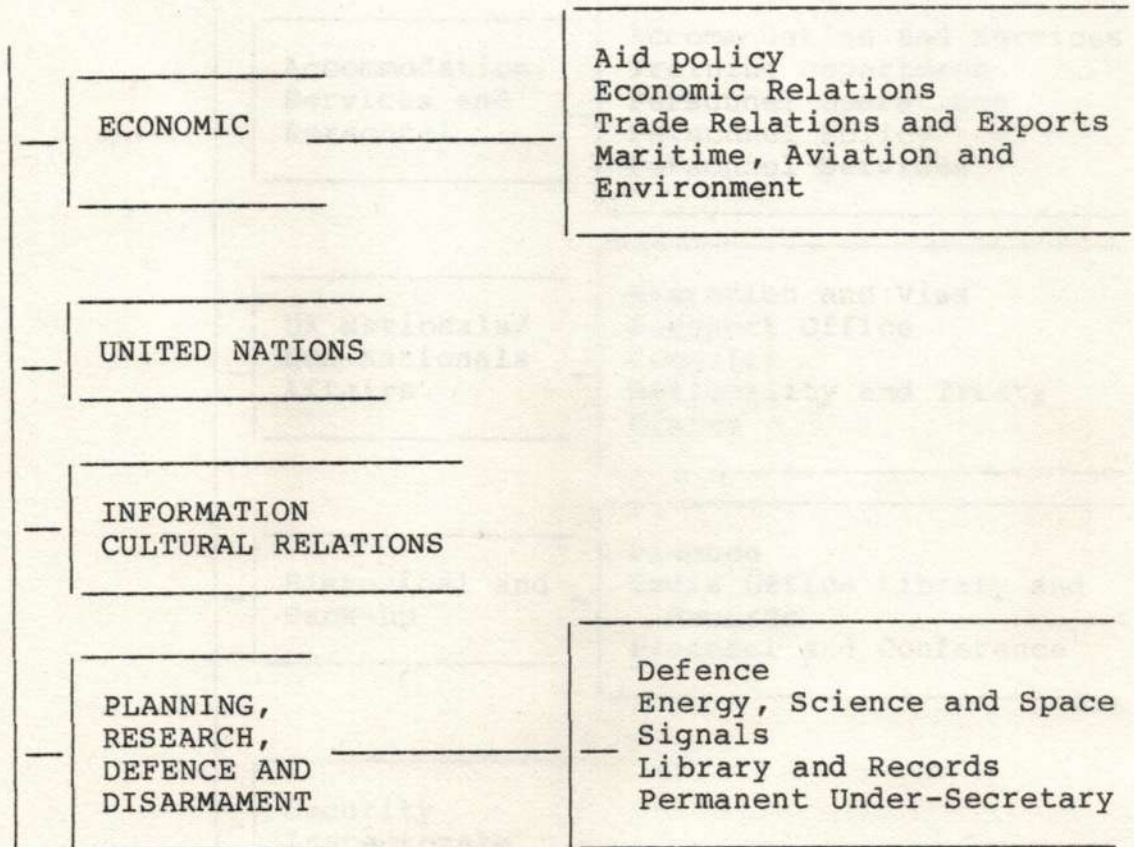
Associated states - Antigua, St Kitts, Nevis. Aid, Internal administration and external relations of Anguilla Turks and Caicos Islands, British Virgin Islands, Cayman islands, Montserrat, Bermuda, St Helena, Tristan de Cunha and Ascension.

ECONOMY	Aid policy Economic relations Trade relations and Exports Agriculture, Fisheries and Environment
UNITED NATIONS	
INFORMATION CULTURAL RELATIONS	
PLANNING, RESEARCH, DEFENCE AND DISARMAMENT	Science Energy, Pollution and Space Technology Arms and Proliferation Disarmament Under Secretary

APPENDIX 2

Functional Divisions at the FCO

FUNCTIONAL
DEPARTMENTS



APPENDIX 3

FCO Administration, Advisers and Special Departments

ADMINISTRATION	Communications	Communications Operations Commun. Technical Services Commun. Engineering Commun. Planning Staff Commun. Administration
	Accommodation, Services and Personnel	Accommodation and Services Training Department Personnel Operations Personnel Policy Personnel Services
	UK Nationals/ Non-Nationals Affairs	Migration and Visa Passport Office Consular Nationality and Treaty Claims
	Historical and Back-up	Finance India Office Library and Records Protocol and Conference
	Security Inspectorate	
ADVISERS AND SPECIAL DEPARTMENTS		Arms Control & Dis- ment Commonwealth Co- ordination Economic Service News Planning Staff