

## TVA on the Mekong - Hanoi's Missed Opportunity for Peace

I spent parts of 1967 and 1968 on a tour in Vietnam, with a DEROS in August 1968. Less than a year later, I was back in Vietnam as a civilian, the Midway conference had begun the draw down, and I came across these books (slide 2), which I found fascinating. I have carried them around for nearly 50 years, referencing them occasionally. (By the way, TTU has another .pdf set in its archives.) In helping to prepare another participant for this conference, I came across a reference to “TVA on the Mekong” and some further research opened very interesting pathways that I would like to share with you today.

(Slide 3) On April 7, 1965, in a speech at Johns Hopkins,<sup>1</sup> President Lyndon Johnson proposed a major regional development program. The United States would do "everything necessary" to ensure the independence of South Vietnam, the President stated, while remaining ready "for unconditional discussions." Johnson also announced that he would ask Congress to support a billion-dollar U.S. investment program for economic development in Southeast Asia. Johnson saw this as a bribe to the North Vietnamese to accept a plan leading to a regional peace settlement. Because it was contingent upon an end to military efforts to overthrow the South Vietnamese government, North Vietnam rejected it out of hand.

In a memorandum for the record dated April 13, 1965, Chester L. Cooper analyzed the White House mail regarding Vietnam [after this speech] and reported that the Johns Hopkins speech had caused a sharp reversal in the flow of critical mail and telegrams. The volume had changed from 5 to 1 against U.S. policy to 4 to 1 in favor.<sup>2</sup>

Johnson thought that he was making an offer the North Vietnamese couldn't refuse, but they did. As George Ball described it, “The present posture is thus that each side has stated an objective that would represent total capitulation by the other side.”<sup>3</sup> (This offer ignored the Communists' goal of reunifying Vietnam. Whether this reflects Washington's misperceptions of Hanoi's goals, or was actually directed at bolstering Washington's stature on the world stage is rather immaterial; it had no resonance in Hanoi.)

The concept itself was not a new idea. Henry Cabot Lodge, in a Memorandum dated March 8, 1965, had proposed that “There should be a Plan for the Development of Southeast Asia, comparable in scope to the Marshall Plan and in addition to what we are doing already....This plan should include the Mekong River, as suggested by the American Friends of Vietnam. But it should also aim at Southeast Asia as a whole, including Malaysia, Indonesia, the Philippines, Australia and New Zealand. It should involve the wealth and energy of Japan. It should aim at eliminating illness and widening the area in which justice prevails.”<sup>4</sup>

The American Friends of Vietnam report that Lodge referenced, “Johnson Plan for a Mekong Strategy of Development<sup>5</sup>” said “We should stop 'compartmentalizing' Vietnam

---

1 Attachment 1 *Public Papers of the Presidents of the United States: Lyndon B. Johnson, 1965*, Book I, pages 394-399.

2 FRUS, Johnson II Doc, 245

3 Ibid, Doc 267

4 FRUS, Johnson II, Doc 189, Recommendation 11

5 Outline for New Policies in Vietnam, The American Friends of Vietnam, 15 November 1964, 15 November 11 1964, Folder 16, Box 1194, Wesley R. Fishel Papers, Michigan State University

and instead adopt a regional political strategy to tie together into a large-scale, 30-year plan for the development of the water and power resources of the Mekong River Basin. The pre-investment planning was underway and construction could begin if there is security and peace.

(slide 4) “A Johnson Plan for the Mekong Basin would seek to pacify tensions and remove the seeds of war in Southeast Asia. It would strengthen the self-determination of the four riparian nations, utilize the immunity of the UN for non-partisan development, improve the living standards of the rural masses, attract universal endorsement, and neutralize communist aggression or opposition. Such a structure of regional development could bring a new kind of moral, political, and territorial integrity to this tormented region, and offer a tolerable and practical way out to all concerned.

[An aside here. There are in fact six riparian nations to include Burma and China, and China is the headwater nation which can control water flow, as it is doing in 2017. This is a major problem today for the downstream nations.]

“This Mekong strategy would offer a much better alternative to the dilemmas of Southeast Asia than either France's proposal of diplomatic neutralization or the communists' insistence on reconvening the old Geneva Conference of fourteen members. Instead, we could propose a new and different conference to include those fourteen countries plus seven additional ones having a special interest in or contribution to make to the Mekong region: Japan, the Philippines, Malaysia, Indonesia, Australia, New Zealand and the Federal Republic of Germany. This Twenty-One Power Conference could work out the terms for a new cease-fire line and a demilitarized zone, reciprocal guarantees and observance of non-intervention, and arrangements for establishing the Mekong Project. Then, the United Nations General Assembly could cap it all with a resolution of enablement and the establishment of a Mekong Valley Authority. Ultimately, this could provide the Vietcong with the inducement to choose economic cooperation in preference to unending and costly military aggression....

“Such political and military intervention on mainland Southeast Asia would take years but it would make the Laos cease-fire stick, nullify the communist sanctuary, and give birth to a new UN cause. Our great military power aligned with this cause would probably induce the communists to acquiesce in the Mekong Project rather than suffer the alternative. All told this would bring peace and stability to Southeast Asia. The people of the Mekong Valley could prosper in hope. The forces of freedom would be builders, not just bombers.”

Even the American Friends of Vietnam proposal was not a new idea.

In 1961, following the vice-president's (Johnson's) visit to Vietnam, President John F. Kennedy dispatched Stanford University economist Eugene Staley to assess the South Vietnamese economic condition.

Staley teamed up with a Vietnamese counterpart to co-author the Staley-Vu Quoc Thuc Report (1961)<sup>6</sup>, a follow-on to a seminar organized by the Viet-Nameese National Commission for UNESCO, under the auspices of UNESCO and FAO (Saigon, March 1960), dealing with the problems of rural life in south-east Asia and showing how sociological research can help to solve them, including such topics as local initiative and how it may be encouraged, education for community development, the communication of new techniques, the development of rural communities, current research, and subjects on which research should be undertaken in this field.<sup>7</sup>

With this as a prelude and despite the negative response from Hanoi, Johnson went on to fund the study, recruiting David Lilienthal who formed what became the Joint Development Group, expanding the original proposal in concrete terms.

(Slide 5) Who was Dr. David Lilienthal? He was a lawyer who had chaired the Tennessee Valley Authority (TVA) (under Roosevelt), and the Atomic Energy Commission (AEC) (under Truman). In 1955, he formed an engineering and consulting firm called Development and Resources Corporation (D&R), which dealt with major public power and public works projects. Lilienthal leveraged the financial backing of Lazard Freres to found his company. He hired former associates from the TVA to work with him. D&R focused on overseas clients, including the Khuzistan region of Iran, the Cauca Valley of Colombia, Venezuela, India, southern Italy, Ghana, Nigeria, Morocco, and (as discussed here) South Vietnam. In 1963 he was proposed by Galbraith<sup>8</sup> as a replacement for Ambassador Nolting, if Harriman was unavailable. (also considered was George McGhee<sup>9</sup>)

In February 1967 Dr Lilienthal joined with Dr. Vu Quoc Thuc (Slide 6) (who had held important positions in National Governments from the 1950s, such as the Education Minister Buu Loc Government (1953-1954), Governor of the National Bank, Advisor to President Ngo Dinh Diem, and Dean of Saigon Law School) to form a Joint U.S.-South Vietnamese non-governmental planning group<sup>10</sup> Dr. Vu was also the co-author of the 1961 study referenced above.

At a conference in 1967 with President Johnson in attendance<sup>11</sup> Dr. Lilienthal spoke on what was being done in the post-war planning field. He briefly reviewed the ideas and plans he blocked out in concert with his Vietnamese colleagues, particularly his counterpart Dr. Vu Quoc Thuc (now the Government of Viet Nam's (GVN) Director of Post-War Planning).

---

6 Joint Action Program Proposed by the Vietnam-United States Special Financial Group, 25 July 1961, Folder 02, Box 02, Douglas Pike Collection: Unit 01 - Assessment and Strategy, The Vietnam Center and Archive, Texas Tech University. Accessed 13 Mar. 2017.

<http://www.vietnam.ttu.edu/virtualarchive/items.php?item=2120202011> Attachment 2

7 Social research and problems of rural development in south-east Asia. A summary of the proceedings of the seminar was published in 1963 pp.268 pp. by Vu Quoc Thuc {Ed.}

8 FRUS, JFK I 209

9 McGhee made his fortune by discovering an oil field at Lake Charles. After WWII he served in the State Department as Ambassador to Turkey and was Kennedy's Under Secretary of State for Political Affairs, to be replaced by Averill Harriman.

10 Johnson V, Doc 91

11 Johnson V, Doc 115

“Vu Quoc Thuc replied to Dr. Lilienthal's remarks on behalf of the Vietnamese delegation. He praised Dr. Lilienthal highly and, on behalf of the Vietnamese people and government, thanked the President for making Dr. Lilienthal's assistance available. He noted that he and Dr. Lilienthal had very similar views, which made working together a pleasure. Dr. Thuc (sic) explained it was difficult to do post-war planning when one did not know for sure whether to plan in terms of an isolated South Vietnam sealed off from the North or in terms of at least a limited amount of trade and commerce with South Vietnam's northern neighbor. He assured the President that the Vietnamese were working hard to develop responsible programs capable of meeting the needs of the post-war future.

“Looking to the longer run, it seems to me that the work of the Lilienthal group in planning long range economic development is both important and hopeful. I doubt if there is any better political weapon than involving the Vietnamese people in their own development, to let the people themselves plan and carry out activities through which they can increase their incomes and improve their lives.<sup>12</sup>”

The report, prepared by Vietnamese professors and graduate students, included an analysis of a variety of technical projects and economic measures to assure sustainable and long-term growth in Vietnam.<sup>13</sup> [see note]

According to Prof. Vu Quoc Thuc, the content of the postwar economic plan was to promote land reclamation and irrigation combined with electrification in the Mekong Delta. The ultimate goal of this plan is not economic, but political: according to Lilienthal, touching the plain is touching the Liberation Front. Because of the economic benefits, it is possible that both farmers and liberal governments will be willing to participate in this plan. That involvement may undermine the relationship between the North and the Government of the South Vietnam Liberation Front ... But this plan was not implemented.

The premise of the planning was always to require that the level of hostilities would have to diminish to the point where a hydroelectric dam could be built, without fear that it would be blown up by saboteurs the day after it opened. There were, however, many sub-elements which could and would start immediately.

(slide 7) “Programs are described for agriculture, forestry, industry, the infrastructure, and for five geographical regions. These do not constitute operational plans ready for implementation. As a whole they represent, however, the first comprehensive attempt to create a design and a program for the transition from wartime to a peacetime footing in all sectors of the economy, and to make an objective assessment of the prospects for Vietnam in the years ahead.”

---

12 Johnson V, 220 Bunker to State 6/28/1967

13 Johnson V Doc 430 430. Telegram From the President's Special Assistant (Rostow) to the Ambassador to Vietnam (Bunker) Washington, December 6, 1967. Rostow's academic expertise was in development policy; in 1960, then a professor at the Massachusetts Institute of Technology, he published *The Stages of Economic Growth: A Non-Communist Manifesto*, a book that became the basis for the nation-building programs adopted during the Kennedy and Johnson administrations.

(Slide 8) A sample of the prescriptions for agricultural development in the Delta is summarized here. The plan was to increase Delta rice production from 3.2 million tons in 1967 to 10 million tons in 1990. I don't have the actual figures post war.

“The depredations of war can be repaired and substantial progress toward higher standards of living and quality of life can be achieved in a comparatively short time. This presupposes the wise use and exploitation of resources, the adoption of economic policies that encourage growth and, above all, the participation of a hardworking people.”

This plan was always public,<sup>14</sup> but never seriously considered by the North Vietnamese. Curiously, this plan was printed by the Department of Foreign Trade of the Democratic Republic of [North] Viet Nam (DRVN aka NVN) as a reference book called "Economic Development Plan of South Vietnam 10 years after the US-led war" published in Hanoi. 1971 (375 pages).<sup>15</sup>

Given the specific sums suggested by the planners to be earmarked for its implementation, perhaps Henry Kissinger had this specific plan in mind for the proposed reconstruction aid in a unilateral note which accompanied the 1973 Paris Accords.<sup>16[see note]</sup> (The Government of the United States of America agreed to contribute to postwar reconstruction in North Vietnam without any political conditions, establishing a US-NVN Joint Economic Commission to develop programs for the US contribution to reconstruction of North Vietnam, based upon the needs of North Vietnam arising from the dislocations of war; the absorptive capacity of the North Vietnamese economy; the availability of the necessary funds through annual appropriations by the United States Congress. United States studies indicate that the appropriate programs within the framework of the preceding paragraph will fall in the range of \$3 billion over five years, the estimate being subject to further study and to detailed discussion between the parties.

(slide 9) Dr. Kissinger told Le Duc Tho “We will make a program between us and we can make a major effort to get it from Congress. And we will almost certainly succeed. But we have to write this in case this note ever becomes public.”

The full transcript of the January 13, 1973 meeting is available as attachment 4. It is lengthy but may be of interest beyond the scope of this presentation. Needless to say, the implementation of the Paris Accord did not result in a Cessation of Hostilities and a Restoration of Peace, except through the Communists' military victory and therefore Congress never appropriated funding for “reconstruction aid.”

It is also interesting that a little more than 3 years later, a Congressional delegation visited Hanoi and reported back to President Gerald Ford “We told them there was no way to get economic or reconstruction aid.” However, the same report discussed POW remains. The expenditures to date, in payments to the Vietnamese Government for their

---

14 The Postwar Development of the Republic of Vietnam: Policies and Programs - Volume 3 (Summary), March 1969, Folder 14, Box 02, Douglas Pike Collection: Unit 11 - Monographs, The Vietnam Center and Archive, Texas Tech University. Accessed 13 Mar. 2017. (Also Vols 1 & 2 are available) <http://www.vietnam.ttu.edu/virtualarchive/items.php?item=2390214001> .[Attachment 3]

15 VN Economic History 1945-2000, by Dang Phong, discussed in a 2008 RFI interview - Political intentions in the Lilienthal plan-Vu Quoc Thuc

16 Nixon IX, Doc 274. Memorandum of Conversation, January 1, 1973. I have received no response from HAK to several inquiries as to whether or not this supposition is correct.

assistance and the DPMO (and successor organizations) exceeds \$N billion (in constant 1973 dollars as of December 31, 2016).<sup>17</sup>

The plan itself is an interesting guide to economic development in the region as well as being a litmus test of the sincerity of the parties offering plans for peace. The North was willing to forego this offer, which was similar to the plans which brought prosperity to Europe and Japan after WWII, to pursue a reunification which took ten years and millions of lives to accomplish militarily. The North Vietnamese Politburo never seriously considered this or any other offer that would have required them to abandon their national crusade to conquer South Vietnam by military force, as their Leninist ideology and Mao's three-phase model of revolutionary warfare required. The fact that the Marxist regimes of East Germany, North Korea and North Vietnam were all unwilling to participate in such development plans, suggests that they already knew that they could not compete with Western style capitalism while bound by Marxist ideology.

As to whether or not this offer was DOA, it was irrelevant that the NVN were intent on reunification of with the South. That was what the war was about. We wanted the South to remain independent and non-communist. The North wanted reunification. The issue was to convince the other side to compromise on its objectives. This offer made sense in a non-ideological world. Their ideological resolve was stronger than ours. We blinked. They won the war. And the people of Indochina have paid the price.

*Stephen Sherman is a frequent presenter and participant in the TTU Vietnam Symposia. He served in Vietnam as Civil Affairs/Psychological Operations Officer with 5th Special Forces Group in 1967-1968 and as Chief of Plans and Programs for the Vietnam Regional Exchange from 1969-1971. He is presently editing a series of volumes on the Second Indochina War for VVFH.org.*

---

17 Nixon, E-12, Doc 85. Also I have received no response to inquiries about the costs of MIA recovery operations in Vietnam (“\$N”).