

## Will United States Finally Join the Mekong River Project?

by Mike Billington

The “great project” of developing the mighty Mekong River in Southeast Asia was once called the United States’ last option for ending the disastrous Vietnam War. Nearly 40 years later, on June 26, 2003, for the first time, a public forum was held in Washington to discuss the potential for the United States to become involved in one of the great infrastructure projects of our age. The region defined by the Mekong starts in China’s western provinces, whence it flows through Laos, Myanmar, Thailand, Cambodia, and Vietnam.

At the end of World War II, America defined its mission in light of its own economic transformation under Franklin Roosevelt’s Presidency, best represented by the Tennessee Valley Authority (TVA), a project which used national credit to turn a vast, impoverished area into a prosperous region of modern agriculture, industry, scientific research, and advanced education. But today, U.S. foreign policy has gone the “post-industrial” way. When asked about U.S. support for economic infrastructure development overseas, the average foreign policy official will respond: “We don’t do that anymore.” Perhaps the Washington conference, “Economic Cooperation and Opportunities in the Greater Mekong Subregion,” will contribute to reversing that foolish policy, and revive an American System approach.

The Conference was sponsored by the Asian Development Bank (ADB), which coordinates the Greater Mekong Subregion (GMS) from its headquarters in Manila, and by *Foreign Policy*, the journal of the Carnegie Endowment for International Peace. It was addressed by spokesmen from across Southeast Asia, Japan, and India. The historical importance of the event was captured by Takao Toda, of the Japan International Cooperation Agency, who described a proposal made by an American professor, Gilbert F. White, in 1963, as the United States was contemplating its role in the unfolding Indochina crisis. White studied the plans of the Mekong Committee, set up in 1956 with input from experts from the TVA and the U.S. Army Corps of Engineers. “He proposed four

possible paths for the region: The first one was a chaotic war, without intervention by the U.S. The second one was a similarly chaotic war *with* intervention by the U.S.—which was the path chosen. . . . The third one was the neutralization of the region by the United Nations. The fourth was to achieve peace and prosperity through collaboration of the regional powers to develop the Mekong River.

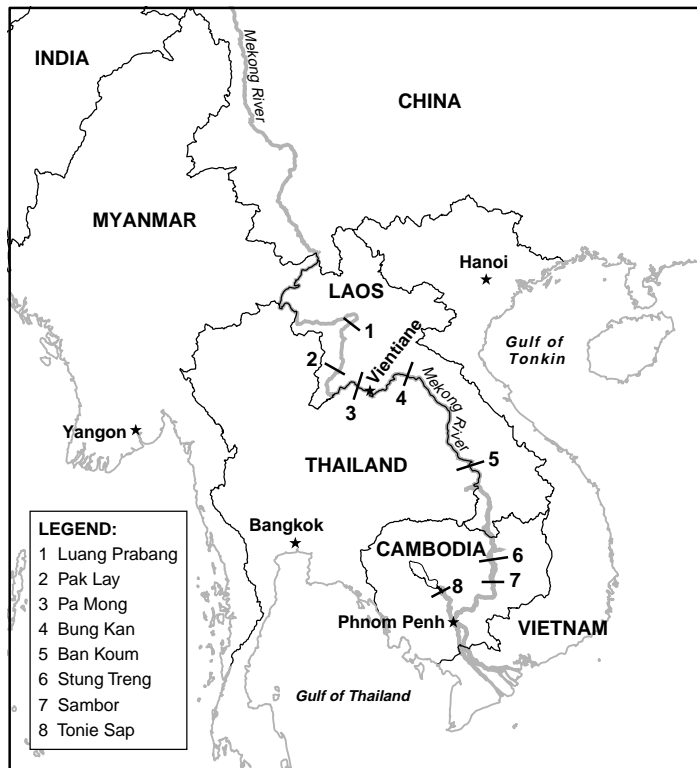
“The fourth option was the one recommended by Professor White. I believe the basic idea, or the spirit of this idea, is still effective even now.” This same image was featured in an *EIR* special package on the Mekong (*EIR*, June 27), distributed to most of the conference participants.

The nations of the region have today, largely on their own and after winning a long-sought peace in the region, relaunched the long-stalled Mekong Project. It includes water control and hydroelectric power generation; roads and rail routes to function as “corridors of development,” within the region and extending out through China and India to Europe and the Mideast; and educational and health programs to uplift their populations.

Two obvious problems stand in the way of the full promise of the Mekong Project. One is the extreme environmentalism fostered by some of the Western foundations—a common disease of the post-industrial ideologues, and one which was evident among the Washington conference speakers and others. On this account, the GMS directors appear to be on their guard. Rajat Nag, the Director General of the Mekong Department at the ADB, began his presentation by insisting that “We should not be apologetic about infrastructure development in the region. Some has been done poorly, but the region must be connected. And we must not just connect two points, but we must follow the concept of the ‘development corridor,’ developing the entire region.”

Myo Thant, the Principal Regional Cooperation Economist at the ADB’s Mekong Department, said that the trip from Yangon, Myanmar to Bangkok, Thailand today, by sea, is

## Proposed 'Mekong Cascade'



*The Mekong River region with long-proposed hydroelectric and water-management projects. Said an Asian Development Bank official at the Washington conference on June 26, "We should not be apologetic about infrastructure development in the region. Some has been done poorly, but the region must be connected. And we must not just connect two points, but we must follow the concept of the 'development corridor,' developing the entire region."*

2,000 miles, but when the road is completed in 2006, it will be only 500 miles overland. He added that "development corridors" do not go through capital cities, but through the countryside; they can help end the endemic problem of economic development being restricted to the major cities, and also create conditions for a greater political involvement of rural leaders in national policies.

The second, more serious potential block to development is an overdependence on private financing, ignoring the fact that large infrastructure projects do not return short-term profits to an investor, but rather, transform the productivity and profitability of the entire region over the long term. These projects are the responsibility of governments, acting alone or in cooperation with others, confident that the enhanced productivity of the national economy will more than pay for the sovereign investment.

This is only made more obvious by the reality of the current collapse of the dollar-based financial system. Toda pointed out that there has been a drastic decline in direct foreign investment in the region over the past decade. To

attempt to bring about a "take-off of the region," he said, "with only the participation of the private sector, is almost an impossible scenario. If we left the matter in God's hands, only the skeleton would stand up, like a ghost, and the rest would remain on the ground in a hopelessly scattered way, which is not at all economic integration."

Another leader of the ADB's Mekong Department, Khalid Rahman, spoke at a June 12-13 conference in Bangkok, "Mekong Region Comes of Age," and said that the estimated financial needs of the primary programs of the GMS are \$14-15 billion over the next ten years, with projects worth about \$2 billion already completed or under construction. "We believe that the Asian and Pacific region has enough savings and productive capacity to finance regional infrastructure development," he said. "Several countries in the region have a large part of their savings deposited in nonregional centers [i.e., New York and London] where the rate of return is several percentage points below what the regional borrowing countries have to pay to the lenders from outside the region! There is clearly a need for an institutional mechanism to enable the utilization of a greater proportion of the region's savings for regional investment needs. . . . Resource-surplus countries such as Japan, Hongkong, China, Republic of Korea, Singapore, and Taipei, China could transform their excess savings into loans for regional infrastructure projects."

At the Washington Conference, however, Mr. Nag of the GMS spoke of seeking 80% or more of the financing in the private sector. Perhaps there is an effort to convince U.S.-based investors to see the efficacy of their involvement in the region, but the only viable means to achieve the required scope of investment is to

convince those interests to join in the effort to turn the United States back to its historic nation-building mission, and get government investments and guarantees for the great projects.

Questioned by *EIR* about the alternative method of sovereign credit—including the current plan proposed by Italian Economy Minister Giulio Tremonti, for the European Union to invest 70 billion euro annually in infrastructure projects to build out of the depression, Nag expressed hope that the recent development of an "Asian bond market," which will draw on the huge reserves of the Asian nations to invest in regional infrastructure, will bring a similar solution for Asia.

Another promising development was the announcement by Joern Kristensen, Chief Executive Officer of the Mekong River Commission, based in Phnom Penh, that representatives of the Mekong River Commission members (Thailand, Vietnam, Cambodia, and Laos) plan to visit the United States in the Fall, to take a trip down the Mississippi River. They will examine the projects built by the Army Corps of Engineers, with Federal funding, after World War II, and meet with officials of the Army Corps in Vicksburg, Mississippi.