

# **The Limits of Modernization: American Development Assistance and Southeast Asian Resistance during the 1950s**

**Marc Frey**

## **RESÜMEE**

Die amerikanische Entwicklungskooperation mit südostasiatischen Staaten während der fünfziger Jahre ist Thema dieses Beitrags. In einem ersten Teil werden die ideellen und institutionellen Grundlagen amerikanischer Entwicklungspolitik beleuchtet. Anschließend werden deren regionale Prämissen diskutiert. Schließlich geht der Beitrag näher auf die amerikanische Entwicklungspolitik gegenüber Indonesien und Süd-Vietnam ein. Die Beispiele machen das Bemühen deutlich, südostasiatische Länder mit Hilfe von Entwicklungspolitik im Sinne amerikanischer Modernisierungsvorstellungen zu verändern. Deutlich werden aber auch die Möglichkeiten südostasiatischer Staaten, diesen Modernisierungsprojekten enge Grenzen zu setzen. Der Beitrag ordnet sich damit in neuere Interpretationen des Kalten Krieges als einem perizentrischen System ein, das kleineren Akteuren erhebliche Handlungsautonomie zuspricht.

This article deals with U.S. development policies towards Southeast Asia during the 1950s. I begin with a discussion of the institutional and ideological origins of development cooperation in the late 1940s and early 1950s. Then I will briefly comment on the evolution of American development policies towards Southeast Asia in the 1950s. The third part of the article discusses strategies and projects of development assistance in two countries of the region, non-aligned Indonesia and western-oriented South Vietnam. Both countries were important for the United States for two reasons: Indonesian independence had come about partly with the assistance of American diplomacy, and Washington had high hopes for the successful integration of the country into the “Free World” by means of development cooperation. Like Indonesia, South Vietnam, a client

state of the United States from 1954 on, serves as an example of the limits regimes set to American efforts at penetrating and reshaping societies in the Third World.<sup>1</sup>

Following World War II, the United States created an “empire by invitation” in Europe.<sup>2</sup> The Marshall Plan and NATO stabilized war-torn Western Europe and integrated the countries economically and in terms of security. American policies, however, were not only meant to contain communism and induce economic development. Equally important were transfers of norms and values such as democratic procedures, social norms, and business administration techniques. Occupation policies in Japan were geared towards comparable objectives.<sup>3</sup> Nationalist revolutions in the Southern hemisphere – first in Southeast Asia, the Near and Middle East, and later in Africa – projected American transformation policies on a global scale. With the demise of European empires the United States felt it needed to prevent power vacuums in emerging nations.<sup>4</sup>

American perceptions of the Third World were conditioned by belief systems which can be summarized as follows: a teleological view of the nation’s history as a universally applicable model of linear, evolutionary progress; a deep distrust of revolutions and a preference for gradual transfers of power in the colonial world as well as continued cooperation between Europe and the newly-independent countries; and the conviction that cultural variations legitimized the belief in the superiority of Europeans and white North-Americans over Asians, Latin Americans and Africans. With few exceptions, decision-makers

- 1 For the broader picture, see David C. Engerman/Corinna R. Unger, eds., *Towards a Global History of Modernization*. Special Issue of *Diplomatic History* 33.3 (2009), 375–542.
- 2 Geir Lundestad, *The American “Empire” and other Studies on U.S. Foreign Policy in a Comparative Perspective*, Oxford 1990, 37.
- 3 Michael Hogan, *The Marshall Plan. America, Britain, and the Reconstruction of Western Europe, 1947–1952*, Cambridge 1987. See also Volker Berghahn, *America and the Intellectual Cold Wars in Europe*. Shepard Stone Between Philanthropy, Academy and Diplomacy, Princeton, NJ, 2001; Frank Costigliola, *Awkward Dominion: American Political, Economic, and Cultural Relations with Europe, 1919–1933*, Ithaca, NY, 1984, 167–183; Anselm Doering-Manteuffel, *Wie westlich sind die Deutschen? Amerikanisierung und Westernisierung im 20. Jahrhundert*, Göttingen 1999; Jessica Gienow-Hecht, *Transmission Impossible. American Journalism as Cultural Diplomacy in Postwar Germany, 1945–1955*, Baton Rouge, LA, 1999; Victoria de Grazia, *Irresistible Empire: America’s Advance Through Twentieth-Century Europe*, Cambridge, MA 2006; Felicitas Hentschke, *Demokratisierung als Ziel der amerikanischen Besatzungspolitik in Deutschland und Japan, 1943–1947*, Münster 2001; Walter L. Hixson, *Parting the Curtain. Propaganda, Culture, and the Cold War, 1945–1961*, New York 1997; Michael Hochgeschwender, *Freiheit in der Offensive? Der Kongress für kulturelle Freiheit und die Deutschen*, München 1998; Gilbert M. Joseph/Catherine C. Legrand/Ricardo D. Salvatore, eds., *Close Encounters of Empire. Writing the Cultural History of U.S.-Latin American Relations*, Durham, NC, 1998; Scott Lucas, *Freedom’s War. The American Crusade against the Soviet Union*, New York 1999; Richard Pells, *Not Like Us. How Europeans have loved, hated, and transformed American culture since World War II*, New York 1997; Emily Rosenberg, *Spreading the American Dream: American Economic and Cultural Expansion, 1890–1945*, New York 1982; Frances Stonor Saunders, *The Cultural Cold War. The CIA and the Worlds of Arts and Letters*, New York 1999; Axel Schildt, *Zwischen Abendland und Amerika. Studien zur westdeutschen Ideenlandschaft der 50er Jahre*, München 1999, 398–423; Frank Schumacher, *Kalter Krieg und Propaganda. Die USA, der Kampf um die Weltmeinung und die ideelle Westbindung der Bundesrepublik Deutschland, 1945–1955*, Trier 2000, 223–275; Reinhold Wagnleitner, *Coca-Colonization and the Cold War. The Cultural Mission of the United States in Austria after the Second World War*, Chapel Hill, NC, 1994.
- 4 David Ryan/Victor Pungong, eds., *The United States and Decolonization, Power and Freedom*, London 2000 and David D. Newsom, *The Imperial Mantle. The United States, Decolonization, and the Third World*, Bloomington, ID, 2001.

in Washington felt that non-European peoples could not effectively govern themselves immediately and that due to scientifically identifiable defects of non-European cultures, emerging nations in the Third World needed tutelage. Since the European powers could not perform these duties any more because their rule was discredited and opposed, the United States had to perform the task of assisting in nation-building efforts.<sup>5</sup>

Transformation policies came to be guiding principles of America's relations with the Third World.<sup>6</sup> Transformation operated on many levels, ranging from the individual to the national, from rural areas to urban conglomerates, and from small ethnic groups to multi-cultural states. Modernization, its underlying rationale, operated within a set of doctrines based on Western standards and experiences.<sup>7</sup> American foreign policy promoted transfers of norms and values, of modes of behavior, and tried to establish institutions in Third World countries which would form nuclei of modernization, such as development agencies, planning offices, tax systems, American-trained police forces, parliaments etc. Transformation policies had all the ingredients of a civilizing mission – its aim being to convince Third World peoples that capitalism was a “coherent and attractive philosophy”.<sup>8</sup> It proceeded from the assumption that the competence to modernize “backward” or “traditional” societies was not simply self-assumed but politically, morally and scientifically justified.<sup>9</sup>

This hegemonic project operated with a number of instruments. Alliances were formed to integrate newly-independent countries strategically. Police assistance was designed to promote internal order and stability. Information and propaganda campaigns were conducted to effect ideological affiliation, orderly transfers of power and regime stability. They also promulgated individual and social hygiene, birth control, nuclear families and specific gender roles.<sup>10</sup> A highly important tool to project norms and standards became development policy.

Development policies in the contemporary meaning of the term had been initiated on a modest scale already by the colonial powers – France, Great Britain and the Netherlands – at the turn from the 19th to the 20th century.<sup>11</sup> After the First World War, the League of Nations institutionalized development aims in the mandate system.<sup>12</sup> These early de-

5 For a more detailed exploration of this theme, see Marc Frey, *Dekolonisierung in Südostasien. Die Vereinigten Staaten und die Auflösung der europäischen Kolonialmächte, 1930–1961*, München 2006, chap. 7.

6 The theoretical background of transformation is well-discussed in Wolfgang Merkel, *Systemtransformation. Eine Einführung in die Theorie und Empirie der Transformationsforschung*, Opladen 1999.

7 I find Robert Packenham's distinction between doctrines and theories useful. See Robert A. Packenham, *Liberal America and the Third World. Political Development Ideas in Foreign Aid and Social Science*, Princeton, NJ, 1973, xvii, 4-8.

8 “We Are Learning to Live With Asia”, Speech by Harlan Cleveland at the Far East-America Council of Commerce and Industry, New York, 20 October 1950, NA, RG 469, Entry 59, Box 26, FFE General 3.

9 For a comparable assessment, see Chalmers Johnson, *The Sorrows of Empire*, London 2004.

10 Marc Frey, *Tools of Empire: Persuasion and the U.S. Modernizing Mission in Southeast Asia*, in: *Diplomatic History* 27 (2003), 543-568.

11 David Fieldhouse, *The West and the Third World. Trade, Colonialism, Dependence and Development*, London 1999, 127-224.

12 Anthony Anghie, *Imperialism, Sovereignty and the Making of International Law*, Cambridge 2004; Susan Peder-son, *Back to the League of Nations: Review Essay*, in: *American Historical Review*, 112: 4 (Oct. 2007), 1091-1117.

developmental policies, however, came to a halt during the 1930s, mainly as a result of the Great Depression and the efforts of European powers to maximize the potential of the colonies in order to strengthen metropolitan economies. Following World War II, the United States built on these efforts and promoted development issues both within the newly-founded United Nations as well as on a regional and bilateral level.<sup>13</sup>

In the formative phase of American development policies, decision makers in Washington perceived development to have a “global” and a “total” dimension. It should “reach every corner of the world”, and it was conceived as an integrationist strategy encompassing political, psychological, economic and military requirements.<sup>14</sup> American development policies in the 1950s aimed at transforming the colonial and post-colonial world by means of an ideational, material and technological resource transfer. It predicated an evolutionary model of progress and a universal paradigm of societal development based on the history of European capitalism. Embedded in development doctrines was an interpretation of past, present and future, whose central component was a globalized concept of transformation: the linear development of underdeveloped territories towards stable, prosperous nations. This teleology had two major implications. It provided principles of organization for the modernization and transformation of colonial and post-colonial societies. But it also called for accelerated development and for a compression of time. In view of the Cold War, strategies and instruments had to be devised to speed up the transformation process. While the evolution from feudal agrarian societies towards industrialized, capitalist societies in Europe had taken centuries, the specter of communism necessitated almost instant “impact”.

Early American development policies were not based on distinctive theories but on doctrines shared by decision-makers. These doctrines were the result of dominant perceptions of the non-European world, of the experience of the New Deal and Marshall Plan, and of the input of social science research, whose focus turned increasingly towards the Third World during the 1950s. Race as a defining category of human development had been thoroughly discredited by the Holocaust, and anthropological research conducted during the interwar period had led to the hypothesis that culture, and not race, seemed to be responsible for the varying degrees of development.<sup>15</sup> This did not mean, however, that hierarchies did not persist. Concepts of culture superseded notions of development based on ethnic variations. Climate, cultural distinctions, traditions and religion were regarded as inhibiting factors of modernization. Euro-American culture was perceived as dynamic, open to change, technology-friendly and capitalist-minded, while Asian cultures (with the exception of Japan) seemed static, corrupted by despotism, and unresponsive to change from within Asian societies themselves.

13 Olaf Stokke, *The UN and Development. From Aid to Cooperation*, Bloomington, ID, 29-130.

14 International Development Advisory Board, *Partners in Progress. A Rockefeller Foundation Report*, Washington 1951, 4.

15 Carl Degler, *In Search of Human Nature. The Decline and Revival of Darwinism in American Social Thought*, New York 1991, 59-104.

A second influence on early American development doctrines was the New Deal experience.<sup>16</sup> With its combination of ideas about free markets, liberal capitalism and limited state intervention, the “New Deal synthesis” aimed at the free exchange of goods, capital and services, coupled with the establishment of national and international institutions which promoted market forces. According to the New Deal synthesis, economic development necessitated the corporatist cooperation of the various actors of society, the organization of transnational networks, the modernization of the means of production, the adoption of American business administration techniques and tax reforms, and it called for the creation of a broad middle class. Thus, for example, the Civilian Conservation Corps of the 1930s was promoted as a model of youth organization, identity formation, and nation building vis-à-vis Southeast Asian governments.<sup>17</sup> The belief in the utility and applicability of the New Deal synthesis remained very much alive well into the 1960s. President Johnson’s April 1965 offer to finance a Mekong development scheme embodied all the ingredients of the New Deal synthesis: Modeled on the Tennessee Valley Authority of the 1930s, the project not only envisaged energy production and the taming of nature. The scheme also called for new and better housing, schools, jobs and a general improvement of living conditions and quality of life.<sup>18</sup> This integrated approach was reflected in community development programs, with which American experts experimented in India, Taiwan, Laos or Vietnam.<sup>19</sup> But social engineering was not the only legacy of the New Deal. New Deal institutions served as models for the Economic Cooperation Administration, responsible for the administration of the Marshall Plan and development in European colonies. Finally, many early development experts who came to deal with Southeast Asia had gained experience within the ECA or in connection with the Reconstruction program in China.<sup>20</sup> This expert knowledge was complemented by

16 I draw on Michael Hogan, *The Marshall Plan. America, Britain, and the Reconstruction of Western Europe, 1947–1952*, Cambridge 1989, 427 f. and *passim*.

17 Harry Kahn to Shannon McCune (both ECA), 27 September 1950, NA, RG 469, Entry 59, Box 28, F FE Indochina.

18 David Ekbladh, “Mr. TVA”: Grass-Roots Development, David Lilianthal, and the Rise and Fall of the Tennessee Valley Authority as a Symbol for U.S. Overseas Development, 1933–1973, in: *Diplomatic History* 26 (2002), 335–374; Milton Osborne, *The Mekong. Turbulent Past, Uncertain Future*, New York 2000, 190–193.

19 Nick Cullather, “The Target is the People”: Representations of the Village in Modernization and National Security Doctrine, in: *Cultural Politics* 2 (2006) 1: 29–48.

20 John Blum (Director, ECA-Mission Paris 1948–1950, 1950 Director ECA Mission Saigon); Robert W. Barnett (State Department member of the interministerial Far Eastern Commission, Japan, 1945–1949, Chief, China Economic Division, State Department 1949–1950); Leland Barrows (Assistant to the Special Representative in Europe, ECA, and leader of various missions to Vietnam 1950–1958); Harlan Cleveland (specialist for economic warfare, United Nations Relief and Rehabilitation Administrator in China 1942–1948, director, China aid program, ECA 1948, head of the department of Southeast Asian Affairs, ECA 1948–1952, Assistant Director for Europe, Mutual Security Agency, 1952–1953); Samuel P. Hayes (1942–1951 in various functions for the Foreign Economic Administration and the State Department, chief, Special Technical and Economic Mission Indonesia 1951–1952, Assistant Director, MSA, Far East 1952–1953); James P. Hendrick (official in the ECA 1948–1953 and Director, MSA-Program in Hanoi 1953); John D. Sumner (Economic Advisor of the Embassy in China, 1944–1945, member of the Industrial Mission, ECA, China, 1948, economic advisor to the ECA mission in China 1948–1949, economic advisor in Indonesia 1950). See inventories, Hendrick Papers and Sumner Papers (HSTL); Richard W. Barnett Oral History Interview, February 1976, HSTL; Leland Barrows Oral History Interview, January 1971, *ibid.*; Samuel P. Hayes Oral History Interview, July 1975, *ibid.*

scholars from the social sciences who were commissioned to write studies on the economies and societies of Southeast Asia.<sup>21</sup>

A third influence on early American development policies were British and American economists who from the 1940s theorized on development issues in Europe and beyond. Influenced by Keynesian theories on economic growth, experts were united in their assessment that growth of the gross national product was the ultimate aim of development as well as its chief indicator. By the mid-1950s, sociologists and political scientists entered the debate about development. They perceived modernity as a syndrome of change characterized by industrialization, urbanization, alphabetization, education and communication. They shared the belief that economic growth was a fundamental prerequisite of development. However, they assumed that economic progress would lead to democratic structures and would serve as the most effective means to prevent the spread of communism.<sup>22</sup> These hypotheses implicated a call for a comprehensive transfer of norms and values from the United States to Third World countries. Development policies thus assumed the quality of a strategy for the establishment of an informal empire – of a sphere of influence in which Southeast Asian societies were controlled by a set of norms and rules which guaranteed a modernization defined by American standards and system compatibility. Development policies were an essential component of the American civilizing mission.

Perhaps the most influential expert on development policies during the 1950s and 1960s was the economic historian and government adviser Walt Rostow. His theories corroborated the doctrines of decision makers, and appealed to a large audience. Building on his research on the industrialization of Western Europe, Rostow suggested a development theory which promised universal applicability and modernization along European and Western models.<sup>23</sup> Already in 1954, however, he advised the Central Intelligence Agency

21 "Report Prepared by Dr. John F. Embree on a Trip he Made through the Kingdom of Laos, French Indochina", John Hamlin (Consul Saigon) to Department of State, 3 March 1948, NA, RG 59, 851G.00/3-348; "Cultural Cautions for US Personnel Going to South East Asia", John F. Embree, 15 March 1950, *ibid.*, RG 469, Entry 415, Box 20, F Public Relations 1950.

22 See Nils Gilman, *Mandarins of the Future. Modernization Theory in Cold War America*, Baltimore 2004. See also the anthology by Gerald M. Meier, ed., *Leading Issues in Development Economics. Selected Material and Commentary*, New York 1964, and subsequent updates. Cf. Frederick Cooper and Randall Packard, eds., *International Development and the Social Sciences: Essays on the History and Politics of Knowledge*, Berkeley, CA, 1997; Mark T. Berger, *The Rise and Demise of National Development and the Origins of Post-Cold War Capitalism*, in: *Millennium: Journal of International Studies* 30 (2001), 211-234; Arturo Escobar, *Encountering Development. The Making and Unmaking of the Third World*, Princeton, NJ, 1995; Irene L. Gendzier, *Managing Political Change: Social Scientists and the Third World*, Boulder, CO, 1985; Michael Latham, *Ideology, Social Science, and Destiny: Modernization and the Kennedy-Era Alliance for Progress*, in: *Diplomatic History* 22 (1998), 199-229; *idem.*, *Modernization as Ideology. American Social Science and "Nation Building" in the Kennedy Era*, Chapel Hill, NC, 2000, 21-68 and *passim*; Colin Leys, *The Rise and Fall of Development Theory*, Bloomington, ID, 1996; Christopher Simpson (Hrsg.), *Universities and Empire. Money and Politics in the Social Sciences during the Cold War*, New York 1998.

23 Walt W. Rostow, *The Process of Economic Growth*, New York 1952, and, of course, his famous *The Stages of Economic Growth. A Non-Communist Manifesto*, New York 1960.

to promote development policies as the most appropriate instrument for growth in and affiliation of Third World countries with the West:

*Taking a longer view, we, in common with virtually all the peoples of the world, have an overwhelming interest in the development of world conditions which will free security from dependence on military strength. Where men's energies can be turned constructively and with some prospect of success to the problems of expanding standards of living in a democratic framework we believe the attractions of totalitarian forms of government will be much reduced. In the short run communism must be contained militarily. In the long run we must rely on the development, in partnership with others, of an environment in which societies which directly or indirectly menace ours will not evolve. We believe the achievement of a degree of steady economic growth is an essential part of such an environment.*<sup>24</sup>

Rostow's creed, soon to be widely known as "modernization theory", was that development was "feasible". Development evolved in a linear process, and the transfer of resources (knowhow, technology and capital) would result in growth and a global adoption of democratic procedures.

American decision makers felt that development policy had to "show that democracy is the best way for the realization of economic progress and political freedom".<sup>25</sup> Development economist and ECA-specialist on Indonesia, John Sumner, stated: "What we seek to build are attitudes, institutions and ability to solve problems on a self-supporting, continuing basis."<sup>26</sup> The envisaged process of transformation necessitated an influx of foreign investment, capital accumulation, industrialization, planning, technical cooperation, land reforms, and agricultural development programs. Moreover, it stipulated an appreciation of capitalism as a positive system of values by nationalist elites. Development aid was meant to show that Western capitalism was no longer the "predatory capitalism" of colonial days but a "coherent and attractive philosophy". Capitalist ideology would not only induce economic progress but also "good government".<sup>27</sup>

The aim to establish democratic procedures was soon discarded. By the end of the 1950s, the President's National Security Council stated:

*A number of reasons centering on cultural traditions, religion, and the burden of living explain the decline of Asian democratic institutions. There can be no real democracy in countries where the preponderant majority is illiterate, cannot express an intelligent*

24 "Notes on Foreign Economic Policy", Max F. Millikan and Walt W. Rostow to Allen Dulles, 21 May 1954, in: Simpson, ed., *Universities and Empire*, 39-55, quote on 41.

25 "Policies of Point Four. Guide Lines for Administration of the Act for International Development", International Development Advisory Board, 5 June 1953, Truman Papers, Central Files, Roll 19.

26 "The Problem Before us in Asia", draft memorandum by John Sumner, undated [June 1950], HSTL, Sumner Papers, ECA Files, Box 5, F General Memos and Reports, 1950-51.

27 "We Are Learning to Live With Asia", Speech by Harlan Cleveland to the Far East-America Council of Commerce and Industry, New York, 20 October 1950, NA, RG 469, Entry 59, Box 26, F FE General 3.

*choice between democratic values and Communist blandishments, accepts a fatalistic or quietist religion, recognizes authoritarianism as the traditional way of life, and is too enmeshed in the struggle for survival to have time or energy for individual self-development. The crisis confronting a backward society during the modernization process is so profound that authoritarian controls and disciplines are required to guide the revolution on stable course. We must accept these facts.*<sup>28</sup>

While the transfer of “democratic values” and “human rights” as an ultimate aim was not abandoned in principle, authoritarian regimes came to be regarded as being better suited to steer “backward” economies and societies through the “revolution of rising expectations”. This applied in particular to military regimes. They were considered to possess qualities no other institution in newly independent countries had. They seemed better organized, commanded technical know how, and supplied a variety of specialists. And they were seen as the best available bulwarks against communism. This reasoning, already promulgated for quite a long time by observers in the region, legitimized American support for military regimes in Southeast Asia and beyond in a dual sense. Superpower competition and the Cold War framework provided one justification for support. Yet, now assistance to military regimes assumed a progressive-humanist quality, since military outfits seemed best equipped to effect societal modernization. Hardly ever did decision makers reflect on the fact that it had been the United States who had built up military forces in the first place. Small wonder that Washington felt most comfortable with actors they themselves had elevated to power. This neglect of their own role in the genesis of military rule in Third World countries rationalized the already existing military assistance programs and legitimized continued support in the future.

The aim to transfer norms and values in either a democratic context or in a development-oriented authoritarian state-building scheme could only be realized by a “top-down approach”.<sup>29</sup> Several reasons were responsible for this: First and foremost was the common aim of both the donor and recipient to strengthen governmental institutions and make them more efficient. Secondly, development was closely linked to regime legitimacy. While the United States had an interest to bolster non-communist regimes, Southeast Asian governments needed economic success to make good the promises given during independence struggles. (With regard to sovereign Thailand, things were different, but here as well ruling elites had to demonstrate that their close alliance with the US

28 “Political Implications of Afro-Asian Military Takeovers, Summary of Conclusions”, Marion W. Boggs (Director, Policy, NSC) to NSC, 21 May 1959, NA, RG 273, Mill Papers, Box 4; “Political Implications of Afro-Asian Military Takeovers”, undated paper of discussion, National Security Council [Ramsey], June 1959, *ibid.*, RG 59, Entry 3115, Box 5, F Afro-Asian Affairs. President Eisenhower agreed with the findings of the paper: “He [Eisenhower] did wish to state that Mr. Ramsey’s report was the finest report which he had ever heard given before the National Security Council”. Memorandum of Discussion at the 410<sup>th</sup> Meeting of the National Security Council, 18 June 1959, in: Foreign Relations of the United States, 1958–1960, Vol. 18: East Asia-Pacific Region; Cambodia; Laos, Washington 1992, 97–102.

29 “Proposal for a Longer-Range Program of Aid to Asia”, Memorandum by Cleveland, 3 November 1950, NA, RG 59, Lot 58D258, Box 6.



had overall positive effects). Thirdly, critical agents of modernization like a middle class, entrepreneurs, labor leaders or women leaders were lacking or were perceived as being unsuited for cooperation (Europeans and overseas Chinese). Fourthly, the problem of interference in domestic affairs was an ever-present one. Cooperation with government agencies was therefore a *sine qua non*.

A number of fact-finding missions toured Southeast Asia in 1950. Their brief encounters with the complex realities of life in Southeast Asia allowed for tentative analyses of the situation: debt peonage of a significant part of the rural population on Java and in Thailand; exorbitant land leases and *corvée* in large parts of Vietnam; a dramatic shortage of textiles in Java and insufficient supply of basic tools; a significant percentage of the populations infected by malaria, ranging from 30 to 90 percent; a high child mortality of up to 50 percent (in the case of Laos); structural malnutrition on the densely populated islands of Java and Madura. Life expectancy in Southeast Asia was at a medium of 32 years; in Western Europe and North America the corresponding figure was 64.<sup>30</sup> Statistics, though not very reliable and based upon sketchy information from various sources, revealed great discrepancies between the industrialized world and Far Eastern countries. Per capita income in selected countries in 1946 was stated as follows: China \$ 23, Indonesia \$ 35, Thailand \$ 41 [1948], India \$ 43, the Philippines \$ 88, Ceylon \$ 91, Japan \$ 100, Great Britain \$ 660, the United States \$ 1269.<sup>31</sup> Reports emphasized the strong need for capital transfers and know how. Colonialism and the cultural disposition of the peoples were identified as reasons for low standards of living, widespread poverty and subsistence farming.

With regard to Europe, ECA officials had identified the lack of foreign currency as the main impediment to economic growth. In Southeast Asia, however, observers encountered a completely different setting: some sectors of the economy did not participate in monetary circulation, credit institutions were missing, and the infrastructure was deficient. Autochthonous capital formation was insufficient, planning institutions and reliable statistics were lacking. Moreover, there was a great need for the development of entrepreneurial classes and for norms and rules congruent with capitalist systems in a variety of societal sectors. Discussions about the need for a Marshall Plan for Asia surfaced regularly during the Truman and Eisenhower administrations. However, top decision makers continuously argued against such a concerted effort on two grounds: economically, it seemed unclear whether Southeast Asian countries could utilize relatively large amounts of aid ("absorptive capacity"); politically, it was felt that Congress

30 "Report of Visit of Agricultural Officer to North Vietnam, October 11-21, 1950", Robert Blum to ECA, 30 October 1950, NA, RG 469, Entry 237, Box 48, F French Indochina, Agriculture; Blum to ECA, 28 February 1951, *ibid.*, F Indochina Agriculture, Land Development; "Health Program", ECA Memorandum, 6 May 1952, *ibid.*, Entry 1236, Box 2, F Health; "Diversification of Indonesian Economy", Foreign Operations Administration Memorandum, undated [30 December 1953], DDEL, NSC, OCB, CFS, Box 41.

31 "Postwar Regional Economic Problems of the Far East", Preliminary Version, Office of Intelligence Research OIR Report no. 5028, Division of Research for Far East, Department of State, 25 August 1949, NA, RG 469, Entry 411, Box 12, F Far East, Economic Conditions; "ECAFE Study on Thai Financial Institutions", 31 March 1950, *ibid.*, Entry 59, Box 26, F Far East General.

and the American taxpayers would not support such a program.<sup>32</sup> To be sure, Truman's Point Four program of 1949 held out the prospect of long-term development efforts by the United States. The President's message raised high expectations, but it obscured rather than clarified the range of problems associated with early American development policies.<sup>33</sup>

U.S. Economic Assistance to Southeast Asia, 1950–1961 (in million Dollars)<sup>34</sup>

	Burma	Indonesia	Malaya	Philippines	Thailand	Vietnam
1950	–	137,7	–	137,9	–	–
1951	10,4	8,0	–	138,8	8,9	21,9
1952	14,0	8,0	–	132,4	7,2	24,7
1953	12,8	13,2	–	20,8	6,5	25,0
1954	–1,8	4,5	–	14,8	8,8	25,0
1955	–1,0	7,2	0,3	30,0	46,8	322,4
1956	17,0	88,2	0,5	47,9	33,5	210,0
1957	1,3	12,3	0,4	42,8	35,0	282,2
1958	44,2	29,0	0,1	29,1	30,9	189,0
1959	8,9	67,6	20,2	145,2	45,7	207,4
1960	–2,6	70,2	0,3	23,4	24,6	181,8
1961	0,4	31,6	0,4	86,0	26,1	152,0
Total	103,6	477,5	22,2	849,1	274,0	1641,4

The vagueness and ambivalence of the Point Four program was paradigmatic for American development policies in Southeast Asia during the 1950s. They were multi-causal and multi-functional. While social and economic factors like poverty alleviation, market integration and regional interdependence (Japan, Europe, and Southeast Asia) were both motivating factors and long-term aims of development, its ultimate rationale and chief purpose was security. The mix of political/military and social/economic reasons and

32 The debate is covered in part by Burton I. Kaufman, *Trade and Aid. Eisenhower's Foreign Economic Policy 1953–1961*, Baltimore 1982.

33 "Objectives and Nature of the Point IV Program", Under Secretary's Meeting, 24 February 1949, NA, RG 59, Lot 58D609, Box 1; Public Papers of the Presidents of the United States: Harry S. Truman, 1949, Washington 1963, 114–116. See also Gilbert Rist, *The History of Development. From Western Origins to Global Faith*, rev. and expanded ed. London 2002, 69–79.

34 Figures for Vietnam include Cambodia and Laos until mid-1954. Sources: "Negotiating Paper. Singapore Conference, Defense of SEA", Steering Group on Preparations for Talks between the President and Prime Minister Churchill, 2 January 1952, HSTL, TP, PSF, General File, Churchill-Truman Meetings, Box 116, F Far East Problems; "A Summary of Total U.S. Aid for the Associated States of Indochina from FY 1950–FY 1954", STEM and MAAG Saigon to Mutual Security Agency, 26 October 1953, NA, RG 469, Entry 1432, Box 17, F Programs FY54; Douglas C. Dacy, *Foreign Aid, War, and Economic Development. South Vietnam, 1955–1975*, Cambridge 1986, 200, and Robert J. McMahon, *The Limits of Empire. The United States and Southeast Asia Since World War II*, New York 1999, Appendix 2.

aims of development as well as the initial lack of coherent theories of development in Third World countries was largely responsible for the rather chaotic evolution of American development programs in Southeast Asia. Country programs varied greatly over the course of the 1950s, at times emphasizing agricultural projects over industrialization (and vice versa), state planning over private initiatives (and vice versa), and so forth.

### **Indonesia: Development Policies in the Context of Structural Problems and the Cold War**

The economic challenges facing the Indonesian governments following the transfer of independence in 1949 were remarkable.<sup>35</sup> Per capita income in the early 1950s was considerably lower than in 1939. Due to the devastations of World War II and the struggle for independence in the post-war period, output had not corresponded to population growth, and labor had moved from productive sectors to low-productive subsistence farming. Indonesia thus needed to grow fast, to industrialize, and to invest heavily. Basically, economic development was conditioned by four factors: (1) the colonial legacy and the government's efforts to accommodate foreign, mainly Dutch, business interests with the needs of a sovereign economy; (2) the disparate economic requirements and potentials of the parts of the archipelago; (3) harmonization of needs and demands of various social actors; and (4) the world market and the decline of the price of raw material following the Korean war boom. Due to the primacy of political over economic aims, Indonesian economic policy during the 1950s exacerbated rather than assuaged the problems arising out of these complex factors.

Until the expropriation of Dutch businesses in 1957, the Indonesian economy performed quite well, with per capita incomes rising on an annual basis of about 3.4 percent. But a political climate increasingly resentful of foreign investment and Chinese businesses made Indonesia an unattractive place to invest. *Indonesianisasi* – a policy to provide for indigenous ownership and transfer of management to indigenous experts – led to further disinvestment. Government development planning was sketchy from the start, and the various development plans devised during the 1950s remained largely

35 On the Indonesian economy in the 1950s, see Anne Booth, Growth and Stagnation in an Era of Nation Building: Indonesian Economic Performance from 1950–1965, in: Thomas Lindblad, ed., *Historical Foundations of a National Economy in Indonesia, 1890s–1990s*, Amsterdam 1996, 401–420; idem, *The Indonesian Economy in the Nineteenth and Twentieth Centuries. A History of Missed Opportunities*, London 1998, 53–72, 116–124, 161–168, 222–227, 311–318; Howard Dick/Vincent J. H. Houben/J. Thomas Lindblad/Thee Kian Wie, *The Emergence of a National Economy. An Economic History of Indonesia, 1800–2000*, Leiden 2002, 170–193; J. Thomas Lindblad, *Foreign Investment in Southeast Asia in the Twentieth Century*, London 1998, 103–106; John O. Sutter, *Indonesianisasi: Politics in a Changing Economy, 1940–1955*, Ithaca, NY, 1959, 695–1230; Jeroun Trouwen, *Indonesia's Foreign Policy and Trade, 1957–1965: Economic Reorientation versus Political Realignment*, in: Piyant Bunnag/Franz Knipping/Sud Chonchirdsin, eds., *Europe-Southeast Asia in the Contemporary World: Mutual Images and Reflections 1940s–1960s*, Baden-Baden 2000, 173–188; Thee Kian Wie, *Economic Policies in Indonesia During the Period 1950–1965, in Particular with Respect to Foreign Investment*, in: Lindblad, ed., *Historical Foundations*, 315–330.

unexecuted. By the early 1960s, it was clear to foreign and Indonesian observers that economic policies had failed to convince, that the investment climate had deteriorated and that foreign investments (with the exception of the oil sector) had collapsed. Set against the background of these developments, it is difficult to assess whether a sustained, well-coordinated American development assistance program could have generated long-term economic growth. But with the small funds allocated to Indonesia and the Cold War context looming, American efforts could not have the desired effects.

Until the mid-1950s, American development policies in Indonesia were targeted towards five sectors: agriculture, public health, support for small businesses and consumer industries, development of big technical projects, and public education. During the second half of the decade, infrastructure projects as well as commodity exports (agricultural surpluses) became more and more important.

#### American Development Aid to Indonesia 1950–1960<sup>36</sup>

Sektors	in Mill. \$	Percent	Percent of loans and credits
Infrastructure	107,5	23,0	92
Industry and Energy	55,7	11,8	88
Agriculture	46,8	10,4	70
Education and Public Administration	16,3	3,4	–
Security	11,1	2,3	–
Health	24,2	5,1	–
Agricultural Surplus Exports	148,3	31,7	100
Others (consumer goods etc.)	57,4	12,3	–
Total	467,3	100	72,4

A basic feature of early development efforts was the principle of “jointness”. From the start, however, cooperation between Indonesian officials and American development experts was complicated by a number of issues. In principle, the Indonesian government and media welcomed American efforts. But the presence of white Americans – in the early fifties there were about 50 experts operating in Indonesia – was widely perceived as a post-colonial, paternalistic variant of the traditionally asymmetrical relations between Indonesians and Europeans. While American technical experts avidly advised the Indonesian government to speed up planning, Indonesian officials urged them to take the challenges associated with nation building into account and to conduct development “in our own good time”, and not in American-defined stages.<sup>37</sup> Highly problematic

36 Raymond B. Allen (Director, USOM Jakarta) to ICA Washington, 17 March 1960, NA, RG 469, Entry 416, Box 81, F Indonesia Program Briefing. Due to different accounting systems, one also finds a figure of about 1 billion Dollars in the literature.

37 “Indonesian Attitudes Toward American Programs of Assistance”, DRF-DR-221, Division of Research for Far East, Department of State, 3 April 1951, NA, RG 59, Lot 58D245, Box 5.

was the American demand that Indonesian economic policies should conform as much as possible to the (American-defined) global economic system. This, however, operated under conditions detrimental to an economy largely dependent on the export of a few raw materials (rubber, tin, and oil). Decreasing prices for raw materials from 1952 significantly reduced room for financial maneuvering and the ability to generate capital for investment in development projects. In view of decreasing state revenues and increasing allocation of funds to non-productive sectors (mainly the army) American prescriptions to create a friendlier climate for foreign investment were more and more perceived as intrusive. By the end of the 1950s, both the Indonesian government and the media at large associated American development efforts with handouts.

Between 1949 and 1954 the United States provided Indonesia with \$ 160 millions in development assistance. Resource and knowhow transfers, however, could not generate sustained growth. The amounts transferred were insufficient, competition by Indonesian planning and distribution agencies harmed efficiency, programs could not be executed successfully due to unforeseen problems. For example, Javanese farmers could not purchase subsidized fertilizer because the price was still far too high. A motorized fishing fleet lay idle because of a lack of mechanics. Drugs did not reach their destination because of insufficient distribution systems.

By mid-1954, both Jakarta and Washington saw the need for a new initiative regarding development and financial assistance. Inter-ministerial planning groups within the Eisenhower administration came to the conclusion that Indonesia needed more assistance and that new donors like Japan or Western Germany had to shoulder a substantial part of the burden. But conflicting interests within the administration and between the administration and Congress made development planning on a long-term basis virtually impossible. Moreover, following Communist gains in the Indonesian parliamentary elections in 1955, Washington became increasingly alarmed about the prospect of a communist take-over of Indonesia. From that time on, American development planning with regard to Indonesia virtually came to a halt. Superpower confrontation insured that some prestige projects, mainly in infrastructure, received continued attention. But other than that, American development policies now came to be substituted by agricultural surplus exports (PL 480) which did not generate any developmental impulses. By 1961, the newly-elected Kennedy-Administration was no longer prepared to "subsidize the status quo".<sup>38</sup>

A number of reasons, both endogenous and exogenous, were responsible for the meager results of American development policies in Indonesia: an adverse economic climate, a primacy of political considerations, yearly Congressional appropriations which made long-term planning virtually impossible, and a lack of consistency on the part of the American and Indonesian governments to allocate funds to key projects and specific sectors of the economy. Underlying these factors, however, were conflicting views of the

38 "Indonesian Problems", Memorandum of a discussion with the Indonesian Foreign Minister Subandrio at the State Department, 24 April 1961, NA, RG 59, 798.00/4-2461.

role of government within the economy. What was equally important was the fact that American advisory efforts were increasingly regarded as neo-colonialist prescriptions. American development cooperation in Indonesia thus largely failed not only because of structural impediments or domestic political and economic choices. Development in self-defined time frames, economic nationalism (*Indonesianasi*) or unattractive investment laws reflected Indonesian efforts to channel and restrict aspects of the American civilizing mission they deemed unsuited for the creation of a national economy and a nation state based on indigenous Indonesian sets of rules and norms.

### **Vietnam: A Bifurcated Response to Development Assistance**

Between 1954 and 1961, the United States pumped about \$ 1.5 billion economic aid into South Vietnam. In addition, the client state received some \$500 million in military aid. Towards the end of the 1950s, when South Vietnamese per capita income was roughly \$ 140 annually, almost 20 percent was attributable to American transfers. Initially conceived as a “holding operation” to stabilize the regime of Ngo Dinh Diem, American development experts assisted in the development of the South Vietnamese economy from 1955. In the second half of the decade, growth rates were quite remarkable (about 7 % annually). These were mainly the result of a temporary state of political stability and of American goods and capital transfers rather than of self-sustained growth. Growth and stability were the ingredients which were supposed to turn South Vietnam into a showcase of the West.<sup>39</sup>

Two factors inhibited the realization of this aim from the beginning on. First, by 1958 the deteriorating security situation made development practically impossible. Second, there was a wide discrepancy between American and South Vietnamese approaches to development. Conflicting ideologies increasingly paralyzed development initiatives, and in 1961/62 development as a fundamental aim of U.S. foreign policy vis-à-vis South Vietnam was disbanded altogether. At that time, Ngo Dinh Nhu, brother of Diem and chief adviser of the President, characterized the American-South Vietnamese relation as a “clash of cultures”. As no other aspect of bilateral relations, conflicts over development revealed the limited extend of America’s influence in the country. The United States did stabilize the Diem-regime, create institutions and promulgate development initiatives. But it could not control Diem, effect changes in institutional behavior or gain control over the implementation of specific projects and programs.<sup>40</sup>

For Diem and Nhu – as for all Southeast Asian leaders – development did not simply mean economic growth. The regime aimed at a broad transformation of society. It envisaged a transformation from a predominantly agrarian economy to a corporatist society

39 Douglas C. Dacy, *Foreign Aid, War, and Economic Development. South Vietnam, 1955–1975*, Cambridge 1986, 56 and passim.

40 This argument is in part based on Philip E. Catton, *Diem’s Final Failure. Prelude to America’s War in Vietnam*, Lawrence, KS, 2002.

with a diversified economy, functioning national institutions and a nationalist ideology. Basic propositions of the regime – “Personalism, community and collective progress” – implied that development was a multifunctional instrument of modernization. ‘Personalist’ modernization, however, did not much have in common with an American-sponsored one. Diem and Nhu were convinced – again like many other Southeast Asian leaders – that neither capitalism nor communism provided suitable models for the development of South Vietnam. Both strongly disliked communist models of development, but they also disliked capitalist ones, since they regarded capitalism as the driving force of colonialism. Diem and Nhu favored a “third way” informed by personalist ideology.<sup>41</sup> In practice, South Vietnamese development policies were imbued with authoritarian, sometimes even totalitarian notions. While American experts in South Vietnam regarded economic and social development as a prerequisite for the establishment of democratic and liberal-capitalist structures, Diem was interested in creating a corporatist state held together by an authoritarian leadership.

American development efforts were in part geared towards short-term aims such as resettlement of refugees or relief programs. In order to check inflation, it provided mechanisms for the absorption of large capital transfers by the small South Vietnamese economy. According to the functionalist logic of “spill-over” effects, another basic aim was the establishment of institutions and the transfer of rules and norms to a variety of political institutions and economic sectors. Advisory functions proceeded from the assumption that institution building would, over the long term, lead to behavioral changes of individuals which in turn would lead to the establishment of “good government”.<sup>42</sup>

While institutional reforms reflected a “top-down approach”, land reform – a much desired object of American development policies in the 1950s – reflected “bottom-up approaches”. This holistic notion of national development eventually formed the basis for theories of “nation building”, a term which began to dominate American development discourses from the early 1960s on. Nation building, in the words of Karl Deutsch, was an “architectonic or mechanistic model” which helped to create “independent, relational, politically organized autonomous and internally legitimized systems”.<sup>43</sup> Modernization and modernization theory provided the functional instruments for conducting “nation building”. Conditions for this transformation process seemed nowhere more promising than in South Vietnam. French rule had been thoroughly discredited, an anti-colonialist and anti-communist outlook had taken hold of the regime, and the lack of expertise and resources demanded an extensive advisory capacity as well as the distribution of development assistance.

After 1955, a range of American institutions and their employees were engaged in transforming South Vietnam. A case in point was the Michigan State University Vietnam Ad-

41 Vu Van Thai, *Vietnam's Concept of Development*, in: Wesley R. Fishel, ed., *Problems of Freedom. South Vietnam Since Independence*, East Lansing, MI, 1961, 69-73.

42 Philip Selznick, *Leadership in Administration. A Sociological Interpretation*, New York 1957, 134-156 and *passim*.

43 Karl Deutsch/William J. Foltz, eds, *Nation Building*, New York 1963, 3, 11 f.

visory Group, which reorganized the police and public administration.<sup>44</sup> However, while the group was able to create institutions analogous to American models, it was unable to effect changes in individual and institutional behavior. Curricular contents aiming at decentralized hierarchies and individual responsibility were increasingly criticized by the regime until in 1962 Diem asked the group to pack up and go.

Another central feature of American development efforts was land reform, and here, again, conflicting ideas about approaches as well as implementation soon paralyzed the whole program. Land reform was an essential requirement of successful transformation, since it generated individual freedom as the basis for collective freedom. Thus declared Wolf Ladejinsky, since the 1930s a capacity on land reform:

*Poverty, hunger, disease, and the lack of opportunity for self-development have been the lot of the overwhelming majority of the people in underdeveloped countries. What is new about this poverty is that it has become a source of discontent, and an overworked and overexploited common man who for centuries was inertly miserable is now alertly miserable. Now the forces that keep the peasant within well-defined bounds are breaking down under the impact of what has been aptly termed "the revolution of rising expectations". ... Changes in land tenure arrangements will enhance the political power of the peasants and very possibly endow them with rights and responsibilities resembling those of the rural people in a democratic society. ... [P]opular support in Asia is peasant support or nothing. An owner cultivator or a reasonably satisfied tenant would acquire a stake in society. He would guard that society against extremism.*<sup>45</sup>

But American prescriptions about land titles, distribution, rents, agrarian credit societies and so forth fell on deaf ears with a regime that was basically interested in maximizing its control over the rural population. The Saigon regime's version of the land reform supported the interests of large farmers and of the government itself. Eventually, it became clear that land reform, as Diem and Nhu understood it, was principally designed to reduce French influences over the economy.<sup>46</sup>

The American-South Vietnamese conflict over land reform was symptomatic for the relation between superpower and client. Comparable developments occurred in connection with the creation of credit institutions, investment programs, macroeconomic planning,

44 "Monthly Report of the Michigan State University Team", Edward W. Eisner (Chief Advisor) to Leland Barrows, 10 August 1956, NA, RG 469, Entry 1432, Box 3, F Correspondence FY 1955-56; "Civil Police Administration Program", Michigan State University Vietnam Advisory Group, 1 May 1957, *ibid.*, Box 4, F Defense; Aspects of Modern Public Administration, course manuals by the Michigan State University, December 1956, *ibid.*, Entry 430, Box 1, F Public Admin. See also John Ernst, *Forging a Fateful Alliance: Michigan State University and the Vietnam War*, East Lansing, MI, 1998.

45 Ladejinsky to Kenneth Iversen (Ford Foundation), undated [November 1954], in: *Agrarian Reform as Unfinished Business. The Selected Papers of Wolf Ladejinsky*, ed. Louis J. Walinsky, New York 1977, 204-214.

46 "Group Meeting of Big Landlords of South Vietnam", Ladejinsky to Barrows, 18 March 1955, NA, RG 59, 851G.16/3-2555; "Land Reform", Barrows to Harold H. Rhodes, 24 May 1957, *ibid.*, RG 469, Entry 1432, Box 21, F Program Policy Committee. See also William Henderson, "Opening of New Lands and Villages: The Republic of Vietnam Land Development Program", in: Fishel, ed., *Problems of Freedom*, 123-138.



the tax system and all kinds of laws pertaining to the economy. To the growing anger of American experts, the regime was little interested in creating a market economy. Instead, it followed a policy of economic nationalism aimed at the exclusion of French and ethnic Chinese influence.

By the end of the 1950s, neither the Eisenhower-Administration nor the Diem-regime had a coherent development policy. South Vietnamese officials saw “advice” increasingly as “control”, and accordingly openly or covertly torpedoed American initiatives.<sup>47</sup> By that time, it had become evident that the Diem-regime was informed by an ideology quite distinct from what Americans believed in, and that South Vietnam successfully repudiated vital elements of the American prescriptions and programs.

## Conclusion

I have tried to show that American development policies in the late 1940s and 1950s aimed at the transformation of societies in an all-encompassing way. Development policies were a central ingredient of American foreign relations. It postulated a linear, evolutionary development from “traditional” to “modern” societies, and it operated on the assumption that the United States provided the standards that needed to be adopted. Both Indonesia and South Vietnam pursued policies of economic nationalism which tended to channel, restrict or exclude aspects of this hegemonic project. The leeway of local actors in determining national approaches to development was considerable. Instead of nation building, the United States promoted state building. By the end of the 1950s, optimistic assumptions about the feasibility of transfers of norms and values had given way to unqualified support for military establishments and authoritarian regimes. This was legitimized in a double sense: the Cold War context, and the assumption that military regimes were best qualified to lead Third World countries on the road to modernization.

47 “The State of the Nation – Educationally”, Charles J. Falk (Education Division, USOM) to Barrows, 18 May 1956, NA, RG 469, Entry 1432, Box 3, F Director’s Correspondence FY 1955-56.