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SAIGON--The hottest issue in Saigon is neither bombing Hanoi, nor Viet Cong terrorism, nor possible negotiations for peace. It is corruption.

Vietnamese sources--generals, majors, captains, ex-ministers, economists--say that corruption is now rampant and has reached scandalous, unprecedented proportions.

High-placed sources in Saigon--American, Vietnamese and Western--urged tighter controls on Vietnamese government funds and on American aid and goods.

The issue is considered a gift for the Viet Cong Communists who promise the workers and peasants justice and equality. It also has caused friction within the Vietnamese government and armed forces. Several weeks ago a low-ranking Vietnamese civil servant spit on the Minister of Economics because of differing views on the issue; the civil servant was fired. A Vietnamese general and an admiral have been suspended on charges of corruption.

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One high-ranking American official in U.S. Agency International Development (AID) that 30 percent reportedly estimated of American economic aid was unrecipited or unaccounted for last year. One low-echelon American provincial official said some of the 45 Vietnamese provinces had not submitted vouchers for expenditures during the past three years.

Another official said that "outright corruption--of American funds ending up in the pockets of the rich" was probably limited to 10 percent--last year this would have been           .

One high-ranking Western official angrily explained, "This is a major American scandal. The way American-generated funds flow of out of this country to Paris--or back to America itself--well, it makes your hair curl. It makes James Bond look like a baby book.

"There are millions and millions of piastres that go to France or go to Honk Kong--and these piastres are generated by American aid funds. The French have a saying in Saigon that every time America increases its aid funds there's a new hotel on the Champs Elysee."

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He openly reprimanded the Western press for not reporting this earlier. "The Western press exposes all the sex scandals of Britain and the Bobby Baker cases-- why don't you expose this. This is a major American Scandal."

The ambassador of another Western embassy lamented, "The French stand by, look at what you're doing and giggle."

American aid falls into two broad categories military and economic. During past decade        was given to Vietnam through U.S. Military Assistance Program. (map) This program gives guns, ammunition, maps, bombs to Vietnamese armed forces. The original purpose of American advisors was to train Vietnamese to use the equipment "and to keep track of the equipment, which sometimes took some doing," one American captain who worked <sup>the</sup> on the program for two years explained. "We brought in airconditioners for hospitals--they ended up in the general's house; we brought in hospital refrigerators to store vaccines in. The vaccines spoiled and refrigerator wound up in the general's house."

The second broad category totalling        during decade is the economic programs administered through the U.S. Agency for International Development. (USAID).

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However, of the economic aid program, ~~\_\_\_\_\_~~<sup>60</sup>  
75% through the decade has been channeled into the commercial  
import program and sales of food-for-peace program. This  
is an extraordinarily complex system in which "we have  
tried to turn American dollars into security," one American  
official explained. "I'm afraid the aid doesn't show much  
because the security hasn't been very effective."

It is the this program, copied after the Marshall  
Plan for Europe after World War II, that high-placed sources  
in Saigon believe should be re-appraised.

The commercial import program, plus selling of  
American farm surplus goods, calls for the importing of  
goods from America or US-authorized countries. The  
American government pays the exporter in dollars for the  
goods; the Vietnamese importer in Saigon pays the Vietnamese  
in piastres. These American-generated piastres are then  
put in a special kitty belonging to the Vietnamese government  
the kitty is called the counterpart fund--and these funds  
are primarily used to pay the operating expenses of the  
Vietnamese national armed forces and to supplement Vietnam's  
other revenues.

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The total amount of piastres budgeted by the Vietnamese government in 1964 was 37.1 bn billion, but only 31.5 was actually spent which created the impression in Saigon, even among Vietnamese economists that "there's too much money in Saigon. We can not absorb it all." More than 19 of the 37 billion budgeted was spent in the military budget,. U.S.-generated piastres through the counterpart fund accounted for 10.4 billion--or about one third--of Vietnam's budget.

The 1965 Vietnamese budget, still under discussion, is expected to total more than 45 billion piastres.

These are the comments and criticisms which high-placed sources in Saigon made about the commercial import program and sales of farm surplus commodities.

First, according to one Vietnamese economist and ex-minister, "economic aid doesn't aim at an economic target, but is only in support of a military machine." About four-fifths of the U.S.-generated piastres in 1964 was allocated in support of the Vietnamese military budget.

Second, the commercial import program, has enriched and enlarged the upper-middle-class elements in Saigon and other cities, but it has also accentuated the extremes between the urban and rural classes. "Often you bring in a whole lot of things for the richer middle class with

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conspicuous consumption and the Viet Cong can play on this, saying it enriches the middle class and bourgeois," one Eastern ambassador explained. Or as a Western counter-insurgency expert explained, "Saigon is living on luxury goods while the nation is at war; it should be on an austere economy. Of course, you must continue to sustain the expenses of the Vietnamese national army, but not so everyone up and down the line can have his fist in the pork barrel."

Fourth, the rural communities, especially earlier in the program, received a relatively small proportion of the commercial import aid. Between fiscal year 1955-60--when the Viet Cong began organizing and recruiting in the countryside--only 4% of the direct and indirect American aid was funneled into the rural population, which is an estimated 85% of the total population.

Fifth, the commercial import program has not been geared to assist building of industries which funnel Vietnamese agricultural products into the light industrial sector. During the critical period of Viet Cong formation in the countryside, during the years 55-60, American economic aid assisted in the establishment of 58 companies, but about 70% of these depended on imported raw materials; even the paper mills needed to import industrial wood pulp.

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Currently \$25 million of the \$50 million used to import industrial machinery was allocated for the machinery in textile plants. Yet the cotton, rayon and other textiles had to be imported. Yet at one time in the late 50's, the Vietnamese government encouraged Vietnamese farmers to produce tobacco, a high-income crop, for use in the cigarette plants in Saigon. But then more than \$6 million dollars worth of American tobacco was dumped on the Vietnamese market--and the tobacco-growers were ruined. After 10 years in Vietnam, Americans still view rubber as one of the most important exports in the country--most of it going to France--but no substantial rubber production factories have been established in Viet Nam.

Six, the Vietnamese officials recognize two kinds of corruption; there's "dirty dishonest corruption"--i.e., taking Vietnamese government funds--but also "clean honest corruption"--getting access to American-generated funds or seeking Vietnamese citizens for money for rendering government services, from the issuance of birth certificates to fixing of taxi meters.

The Vietnamese officials have therefore devised an effective system of padding their vouchers and receipts.

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"Suppose a bridge costs 1000 piastres to build," an American district advisor complained. "But the contractor adds another 200 piastres and the district chief adds another 200 piastres. I can practically see the money flow into their pockets, but they give me a receipt for 2000 piastres. What can I do to disprove them?"

One Vietnamese province chief under the Ngo Dinh Dien regime admitted he ordered a few of his loyal troops to blow up his own bridge that was half-constructed so that they could let another construction contract.

Some Vietnamese regional and regular units are known to possess "phantom troops"—troops that never existed, or were killed or deserted but never reported as lost; their paychecks slip into the hands of privileged commanders.

Last week, leaflets were printed to encourage Viet Cong troops to return to the government side. Printing cost 79,000 piastres, but 250,000 piastres had been allocated for the job. The government official explained the remaining two-thirds had to be divided with messenger boys up to high-ranking civil servants.



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Seven, the Vietnamese administrative section of the commercial import program has at times been corrupted. One former Vietnamese minister who worked with American foreign aid said that Vietnamese importers pay 4-5 piastres per US\$1 for the import license. Every time there's a coup or government shake-up, Vietnamese businessmen complain they will have pay-off a new minister to get in their import licenses. Vietnamese importers are legally allowed five per cent of the import license to be deposited abroad in a foreign account; however, as an inducement to sell his products, the foreign exporter regularly offers an additional, illegal 4-5 per cent listed as "promotion fees or discount" to be deposited in hard currency outside of Vietnam. Hence, the program has allowed the Vietnamese to build up foreign accounts of hard currency, as a profit for the war. In addition, Vietnamese and Western sources complain that much of war-profits are being sent abroad, either physically or in paper transfers, instead of being invested local industries in Viet Nam. Some sources believe that high-ranking officials simply carry piastres to HongKong in a suitcase (four American enlisted men were once arrested for acting as the messengers); in other cases a paper transfer is made in which piastres are paid in Saigon and American or Hong Kong dollars or French francs are deposited in a foreign account.

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Eight, instead of selling goods to the Vietnamese consumer at the lowest possible cost to keep the products moving, some businessmen--principally Chinese--corner the market, establish a monopoly and sell at inflated prices, causing a rise in the standard of living. During a ten-day shortage period, the price of sugar or cement for example would double.

Nine, the commercial import program has prevented large-scale deficit spending, runaway inflation, paid the national army and assisted in the establishment of more than 700 local industries. But it has also allowed the Vietnamese government to use their own foreign exchange for other consumer demands--and too much of this has been channeled into the luxury class. The shops along mainstreet Saigon are filled with imported cheeses, French perfume, Japanese radios, French costume jewelry and foreign-made cars. None of these items can be bought by the rural peasants.

These problems have been accentuated by day-to-day corruption in the Vietnamese system of life. A child in French-school in Saigon--where sons of ministers and generals go if they are not in France--easily pass an exam with a 10,000 pinstres deposit under the table, "and if you don't think so, just look at how many French teachers

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leave Vietnam and invest in hotels on the French Riviera," one Vietnamese anti-Communist explained. Transfers to for Vietnamese battalion commanders from the remote provinces to Saigon cost 50,000 piastres. For 50,000 piastres, a young man can obtain a certificate that he's involved in undercover work for the Ministry of Interior--and is thus exempt from the army draft. The Ministry has signed 1,500 of these certificates in recent weeks. Up to 5,000 piastres is siphoned off the allotments for war widows, "and to survive she has to become a prostitute before the first payment arrives--which takes up to ten months," one Vietnamese anti-Communist explained. "Why should her husband want to die unknown in the jungles--so his wife can be a prostitute?"

"What it boils down to is to have a social revolution or not and clean up this government," a Vietnamese economist explained. If America is too scared to do it--the Communists will and will win the people. The people want justice. They don't care if they have a democracy or a dictatorship--if the government comes in with bullets or ballots. But they want justice--even if it is harsh. The Viet Cong are harsh, but they are just."