Our Girl in Viet

Corruption—Hottest Saigon Issue

In the midst of a life-and-death struggle with its puritanical Communist enemy, the South Vietnamese government is sinking ever deeper into corruption. More often than not, American aid funds—which have totaled more than $3 billion in the past decade—provide the incentive for officials and officers to dip their hands into the government till. In this third article of a six-part series on Viet Nam, Herald Tribune special correspondent Beverly Deepe outlines this "hottest issue in Saigon" with analysis and anecdote.

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SAIGON.

The hottest issue in Saigon is not 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 has now reached scandalous, unprecedented proportions.

Highly-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 was fired after he spat on the Minister of Economics because of differing views on the issue. A Vietnamese general and an admiral have been suspended on charges of corruption.

One high-ranking American official in the United States Agency for International Development (AID) reportedly estimated that 30 per cent of American economic aid was unreceipted or unaccounted for last year. A low-echelon American provincial official says some of the 45 Vietnamese provinces had not submitted vouchers for expenditures during the past three years.

Another official said that "outright corruption—American funds ending up in the pockets of the rich"—was probably limited to 10 per cent. Last year, this would have been $233,000.

One high-ranking Western official angrily commented: "This is a major American scandal. The way American-generated funds flow out of this country to Paris—or back to America itself—well, it makes your hair curl.

"There are millions and millions of piastres that go to France or go to Hong 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."

FRENCH GIGGLE

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 $1.1 billion was given to Viet Nam through the U. S. Military Assistance Program. This program gives guns, ammunition, bombs and other equipment to the Vietnamese armed forces.

The original purpose of American advisers 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 on the program for two years said.

"We brought in air-conditioners for hospitals—they ended up in the general's house. We brought in hospital refrigerators to store vaccines in. The vaccines spoiled and the refrigerators wound up in the general's house."

The second broad category totalling $2.1 billion during the past decade is the economic aid program administered through the AID.

However, of the 10-year economic aid program, 75 per cent has been channeled into the commercial import program and sales under the food-for-peace program. It is this program, copied from the Marshall Plan for Europe after World War II, that highly placed sources in Saigon believe should be reappraised.

SPECIAL KITTY

The commercial import program, plus selling of American farm surplus goods, calls for the importing of goods from America or U. S.-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. This counterpart fund primarily is used to pay the operating expenses of the Vietnamese national armed forces and to supplement Viet Nam's other revenues.

The total amount of piastres budgeted by the Vietnamese government in 1964 was 37.1 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 cannot 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 Viet Nam's expenditures.

The 1965 Vietnamese budget, still under discussion, is expected to total more than 45 billion piastres. At the free market rate $1 is worth 73 piastres.

These are the comments and criticisms which the highly-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 were allocated to support the Vietnamese military budget.

CONSPICOUS WEALTH

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 conspicuous consumption, and the Viet Cong can play on this, saying it enriches the middle class and bourgeois," one Western ambassador said.

Third, the rural communities, especially earlier in the program, received a relatively small proportion of the commercial import aid. Between 1955 and 1960, when the Viet Cong began organizing and recruiting in the countryside, only 4 per cent of the direct and indirect American aid was funneled into the rural population, which is an estimated 85 per cent of the total population.

Fourth, the commercial import program has not been geared to assist the building of industries which funnel Vietnamese agricultural products into the light industrial sector. During the critical period of Viet Cong formation in the countryside, from 1955 to 1960, American economic aid assisted in the establishment of 58 companies. But about 70 per cent of these depended on imported raw materials; even the paper mills needed to import wood pulp.

After 10 years in Viet Nam, Americans still allow 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.

Fifth, 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 soaking Vietnamese citizens for money for rendering government services, from the issuance of birth certificates to fixing of taxi meters to meet government specifications.

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

"Suppose a wooden bridge costs 1,600 piastres to build," an American district adviser complained. "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 2,000 piastres. What can I do to disprove them?"

One Vietnamese province chief under the Ngo Dinh Diem 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.

Sixth, 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 American dollar for the import license.

Every time there's a coup or government shakeup, Vietnamese businessmen complain they will have to pay off a new minister to get their import licenses.

Vietnamese importers are legally allowed 5 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 Viet Nam.

Hence, the program has allowed the Vietnamese to build up foreign accounts of hard currency. In addition, Vietnamese and Western sources complain that many profits are being sent abroad, either physically or in paper transfers, instead of being invested in local industries in Viet Nam.

PIASTRES IN SUITCASE

Some sources believe that high-ranking officials simply carry piastres to Hong Kong in a suitcase (four American enlisted men were once arrested for doing this for a Chinese). 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.

Seventh, 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 cost of living. During a 10-day shortage period, the price of sugar or cement, for example, would double.

Eighth, 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 the main street of 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.

IN SCHOOLS, TOO

These problems have been accentuated by day-to-day corruption in the Vietnamese system of life. A child in a French school in Saigon—where sons of ministers and generals go if they are not in France—easily can pass an exam with a 10,000 piastres deposit under the table, "and if you don't think so, just look at how many French teachers leave Viet Nam and invest in hotels on the French Riviera," an anti-Communist source remarked.

Transfers 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 inlvolved in undercover work for the Ministry of Interior—and is thus exempt from the army draft. The Ministry has signed 1,300 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 10 months," one Vietnamese observer said. "Why should her husband want to die unknown in the jungles—so his wife can be a prostitute?"

"What it boils down to is whether 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."

TOMORROW: Social stagnation vs. revolution.