

U. S. GOVERNMENT, USAID AND U. S. CORDS OBJECTIVES

AND ORGANIZATION IN VIETNAM

DELIVERED BY

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The best I can wish to all of you, I think, is that you enjoy your tours as much, your tour or tours, as much in Vietnam as I enjoyed my tour there from 1959 to 1962, or as I enjoyed my tour in Laos from '65 to '68. Vietnam and Laos are not that too dissimilar from the standpoint of military conflict, although Laos is pretty far behind Vietnam in terms of actual development.

What I want to do is to talk to you about the objectives of our program in Vietnam, the size of it and the purpose of it, what it's being used for; and then I would like to wind up with a picture at the organization which is somewhat complex in Vietnam, and then turn it over to a question period. I understand Mr. Brewster we run until 4:15.

I don't expect to talk that long. You'll have an ample period for questioning.

On the objectives of our program, I think that it's fair to say that there are two current ones in the very broadest sense. The first is that we continue to support prosecution of the war and to mitigate the effects of the war on the people and the economy of Vietnam. In this field which is primarily the field of the military of course -- ours is not the primary role; ours is the supporting role, but it is nevertheless an important one.) About twenty percent of the funds that we're seeking in Fiscal Year 1970 are for programs that are directly connected with the war effort, with the military conflict -- that is refugees, medical care, pacification and police.) In addition, more than fifty percent of the funding that we're seeking in Fiscal Year '70 will

be spent on combating the inflationary pressure which is brought about as a result of the military conflict and the very heavy military expenditures in the Vietnamese budget.

(The second objective is that we seek through economic and social development assistance to strengthen the non-communist political forces in South Vietnam. For this objective it's essential for South Vietnam to press forward with economic and social programs now, in order to attract the support of the people during the war, as well as place the non-communist political forces in the position where they can compete in an effective way politically with the communists once hostilities are over.) I'll just pause here to say none of us knows when that day may be. We all hope that it will come, but what we are doing is important in a political sense both now and at this later stage whenever it is reached. In pursuit of this second objective, the Vietnamese Government with our support is placing particular emphasis on development in the rural areas of the Country. In the urban areas, A.I.D. supported activities have not been quite pressing since full employment has generally prevailed there. But it is also necessary to improve living conditions in the poorer quarters in the urban areas to help prevent the communists from gaining a toehold there. If employment prospects worsen in Vietnam, as I said we now have full employment generally in the urban areas, but if employment should decrease it would become necessary for A.I.D. to relax its present restrictions on assistance to industry in order to promote employment opportunities.

Now I've mentioned what I call our two broad current objectives. We also have a longer range objective in our A.I.D. program in Vietnam and that is to assist South Vietnam achieve its economic independence. In

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other words, to make sure that all of you work yourselves out of your jobs. Just so no one starts shaking in his boots, that's not going to come for a while. The best estimate that we have is one that has been put forth in an economic planning report which was prepared by David Lillienthal's Development and Resources Corporation (This is the Lillienthal of TVA fame) and a group of Vietnamese counterparts. They project that within ten years after the termination of hostilities in Vietnam, Vietnam should have reached, this is South Vietnam, should have reached the stage where it will no longer require aid on concessionary terms - that is grant assistances as we're now giving it - or loan assistance on soft terms. This wouldn't mean that Vietnam might not, undoubtedly will, continue to require loans from such organizations as the International Bank and the Asian Development Bank on commercial terms. So that this estimate of ten years for the achievement of economic independence after hostilities have ceased is one that has been put forth and it's one which I subscribe to myself. To give you an indication of how ambitious this target is, it's useful to keep in mind that it would have taken Korea about twenty years after its war to have reached the same stage. The projection is that some point in the early 1970's Korea will have reached this stage. The prediction is that Vietnam, South Vietnam, can do it faster because South Vietnam is basically a richer country in terms of resources, particularly in terms of its agricultural potential.

To carry out these objectives which I have outlined, we have proposed to the Congress a budget for Fiscal Year 1970 of four hundred and forty million dollars. Now that's about twenty percent of the total A.I.D. budget, worldwide. So that you can see Vietnam takes a very significant slice out of the total resources available for foreign assistance. This total of four hundred and forty million dollars is lower than the programs

In Fiscal Year 1966 and 1967, those are the years of the big build-up in Vietnam, but higher than the Fiscal Year 1968 and 1969 programs.

Now I want to turn to give you a picture of our program in three general categories into which I break the program down. One is the war-related aspects of the program; second, stabilization; and third, development. First, in the war-related area we're primarily concerned, as I indicated a moment ago, with refugees, civilian casualties, pacification and police. For these war-related programs we've asked for about eighty million dollars from the Congress for this Fiscal Year. The Vietnam war like all wars has engendered a great deal of human suffering. A.I.D., backed by public and Congressional demands and working with many private organizations, is doing the maximum feasible to assist the Vietnamese Government in alleviating this suffering. During the 1968 communist offensive against the cities in Vietnam over a million people were driven from their homes. Virtually all of that million have been reestablished by returning to their own homes if undamaged, by rebuilding homes with Government and A.I.D. assistance, or by being rehoused in temporary quarters built by the Government. There is, however, another large group of people who have fled from insecure rural areas in Vietnam. Cumulative over the years since 1965 they have totaled more than three million people. Of that total some two million, just a little over two million, have been resettled or returned to their own villages. This means that we still have on the refugee rolls about a million two hundred thousand people. These million two hundred thousand consist essentially of women, children and older men. I emphasize that because it means they're harder to take care of in terms of getting them reemployed, getting incomes flowing to them again, than if they had men of the normal adult age in their families. About half of this million two

hundred thousand live in temporary refugee camps, and the other half out of camps. Now this means, counting the million who were driven from their homes in the cities last year and the more than three million who have fled their homes in rural areas, a total of more than four million. In other words, about a quarter of the population of Vietnam has at one time or another over the past three or four years been refugees. You can see that's an enormous percentage of people in the Country. The number of new refugees who are flowing into the system has gone down from nine hundred thousand in 1966 to four hundred thousand in 1967, to just over three hundred thousand in 1968 and to about fifty-three thousand in the first five months of 1969. Now that doesn't include those million people in the cities I mentioned because they were not technically classified as refugees. They would have to be counted in addition to the three hundred thousand in '68. The number of reestablished refugees has exceeded the number of new refugees since mid-'68. During the first five months of '69 there were fifty-three thousand new refugees and two hundred and ninety five thousand were reestablished. I emphasize those numbers because what we're interested in, of course, is to see that the refugees are removed from the rolls as rapidly as they can be returned to their villages of origin or resettled. This is the thing that will bring the total numbers down, provided we don't have new ones being fed into the other end as fast as we have resettlement. You can see from these figures that over the past year, and particularly over the past few months, we've been making very considerable progress in this area in terms of resettlement and in terms of reduction in the numbers flowing into the system. If the security situation continues as it is at present, the refugee total should be reduced below one million by the end of 1969.

A.I.D. assists the Vietnamese Government with both temporary relief and resettlement bases as far as the refugees are concerned. We're requesting thirteen and a half million dollars in Fiscal Year 1970 for this program. We're also expecting about twenty million dollars worth of U. S. surplus agricultural commodities under Public Law 480 for distribution to refugees and, in addition, we furnish piasters out of the counterpart fund to assist the Vietnamese Government in its piaster expenditures for the refugees to the tune of the equivalent of about thirty million dollars. So our whole refugee program, all spigots counted, to use the term which Mr. Passman (Congressman Passman of the House Appropriations, Chairman of the House Appropriations Sub-committee) uses, to count all spigots we're putting in over sixty million dollars. I really shouldn't use that term "spigots" when we talk about assistance to refugees because Mr. Passman usually uses this in a fairly derogatory sense to belabor the witnesses before him, as I was last week.

Turning now to civilian casualties, in 1968 the number of civilian casualties admitted to hospitals jumped to over eighty-eight thousand, as compared to forty-nine thousand in 1967. In 1969 the numbers are running below those of the comparable months of '68 but above those for '67. To help care for these civilian casualties, A.I.D. has developed a unique program in Vietnam. To meet the need and supplement the inadequate resources of the Vietnamese Ministry of Health, A.I.D. found it necessary to expand beyond its usual advisory role and entered into a program in which A.I.D. has built eight new hospitals, renovated eleven existing ones, and constructed thirty modern surgical suites in other hospitals. It has helped staff the hospitals with American and other free-world medical personnel, not just as advisors but operational personnel - surgeons, nurses,

anesthetists, and what have you; and furnished equipment and supplies for the hospitals. The Vietnamese Government on its side is now making some significant strides in this area. A program of joint operations of medical facilities by the Ministries of Health and Defense was inaugurated in May and will over time make the services of some four thousand military medical personnel available to help in civilian medical care. This is important because in Vietnam over the war years most of the medical personnel available on the Vietnamese side have been conscripted into the armed forces where they have not been available, up until this latest agreement, to serve civilian needs.

A.I.D. assistance in medical education is contributing to rising numbers and improved quality of Vietnamese medical personnel - doctors, nurses and so forth. The medical logistics system which has been supported for two years by large numbers of third country nationals, particularly Koreans, under an A.I.D. contract is reverting to Vietnamese staffing. We passed the peak of A.I.D. expenditures in the health field in Fiscal Year 1967 when we had heavy construction with equipment costs. For Fiscal Year 1970 we propose to spend about eight million dollars mainly for personnel, that is for medical teams, and about six million dollars for medical supplies. Some construction still remains to be completed but this is a minor part of the total program. With reasonably adequate facilities in each province - and I think each province now has a hospital. It will at any rate as soon as we finish two which are now under construction in two of the most thinly populated provinces and two of the provinces where security is particularly difficult. With adequate facilities, a logistics system assuring a steady flow of supplies and nearly four hundred and fifty American doctors, nurses and technical personnel on board, A.I.D. has assisted the Ministry of Health to reach a point where it is prepared to care for all civilian casualties

throughout the Government facilities.

The third segment of our war-related activities in Vietnam concerns pacification. Now that's an area which I prefer to term "rural security and development" because the term pacification connotes, at least to some people, an idea of force. It connotes actually in the Vietnam context of any Vietnamese an idea of what was used by the French during the French--Indo China War. So I prefer to use this other phrase - rural security and development; but have to say that pacification is still the official term. It hasn't actually been changed officially. A special three months accelerated pacification campaign was conducted by the Vietnamese Government with our support from November 1968 through January '69. This doesn't mean that you don't have pacification campaigns and progress all the time, but I single out this particular one because this has been the most successful pacification campaign that has been put on to date. During that three months period, ten percent of the population of Vietnam were moved from the contested hamlet category, or from Viet-Cong controlled hamlets. That is, security in our hamlets was improved to the point where in the hamlet evaluation survey their hamlets could at least be rated relatively secure. This brought the total population in Vietnam in the relatively secure category as of the end of January up to about seventy-nine percent, as I recall. Right now, as of the end of June, it's eighty-five point six percent. So you can see there has been continued improvement even after the completion of this special three months pacification campaign. As a matter of fact, the Vietnamese Government just, launched, a week or ten days ago, a new special accelerated pacification campaign to run from July through October. This will be a four months one. And I emphasize this as I say because during these special campaigns the Vietnamese Government

attaches a sufficiently high priority to what it is doing, sufficiently high political priority, that it's able to get its personnel resources, its central government provincial district officials, its military and its para-military forces, as well as its financial resources, so concentrated and so coordinated that it achieves better results than it does in the normal, regular, day-to-day activities. In 1969 President Thieu has attached a high priority to pacification and village development. In addition to village self-defense, he stressed the importance of village democracy through village and hamlet elections and the extension of the authority of village chiefs over all Government elements operating at the village level. The village self-help program has been reoriented by dropping insistence at the central government level on fixed numbers of projects and allowing them to be developed on village initiative. I pause there to say I consider that particularly significant development because to me the imposition of quotas from on top as to the number of self-help projects that are to be done at the village level is completely inconsistent with the concept of self-help. Self-help should mean a project which emanates from the villagers' desires to help see something done which they want and to which they are prepared to make a contribution in the way of labor or in the way of money. I'm glad to say that this year the approach by the Vietnamese Government, and by our Mission in Saigon, in the self-help area has changed and now the emphasis is on letting the villagers come forth with what they would like to see in the way of projects - school houses, medical clinics, little bridges across streams, rice programs, what have you. For the programs this year at the village level a specific amount of piasters is being made available to the village authorities - a million piasters to the villages with elected officials and four hundred thousand piasters to villages with appointed officials, and villages can do what they want with these piasters.

They can approve projects themselves up to a certain limit. Above that, they can propose and the approval has to come at district or province level.

In this area of pacification, A.I.D. is asking for about twenty five million dollars in Fiscal Year 1970 mainly to cover civilian personnel at the headquarters, province and district level for CORDS. Now this is the Civil Operations and Revolutionary Support, Revolutionary Development Support component of the Military Assistant Command, and I'll tell you a little later how that fits into the picture as far as A.I.D. is concerned. But it's CORDS rather than the A.I.D. Mission in Vietnam which is concerned with pacification, and this twenty-five million dollars is for the bulk of the personnel in CORDS. I might just mention that most of the personnel in CORDS are military. We provide about a thousand through A.I.D. funds and the military provide, I think, something like six or seven thousand who are concerned with advisory and training work; for example, the regional forces in the popular which are part of the regular military element but which is supervised by the CORDS element of the Military Assistance Command rather than by the regular military elements.

The fourth war-related element in our A.I.D. program is the police program. The police, of course, have a normal law enforcement function in Vietnam, but they have several extraordinary activities which are related to the war. One is a nation-wide identification card program; second is participation in the campaign for eliminating the Viet-Cong political infra-structure at the village and hamlet level; and third, a resources control program to restrict seepage of supplies to the enemy. On that last one this means there are road blocks set up to try to prevent supplies - medical supplies, food, anything that the Viet-Cong may find useful - to prevent these from flowing from the cities and towns under Government control

out to the Viet-Cong. This is a difficult one. There has been some success in it, but it's impossible in the kind of war that we're fighting to prevent this completely by any means. A.I.D. has asked for about twenty-one million dollars in Fiscal Year '70 for the police program, which is the same amount as we had in Fiscal Year '69. In the post-war period the police may play an even more significant security role than they now do in the Country.

Now I'd like to turn to the second major category for which we use assistance. I talked about the war-related areas. Now I'd like to talk about stabilization. U. S. assistance to reduce the inflationary impact of increasing expenditures by the Vietnamese Government remains an urgent necessity. I don't know what those phrased words mean, how much they mean to all of you, but I'll put it in different terms. As you know, here in the United States one of the most serious problems with which the Government of President Nixon has to cope is the inflation. The same thing is true in Vietnam except the inflation is, the inflationary pressures are much worse because ^{of} the Vietnamese Government's budgetary deficit, which is what feeds the inflationary pressures. It happens here in the States and the same thing happens in Vietnam, except the deficit there is much bigger than percentage terms of the total budget. To date our efforts at controlling inflation has been relatively successful. Prices have increased three hundred percent over the past four years. You'll probably react that's not particularly successful in terms of what happens here in the States. Certainly it isn't, but if you compare it with the fact that in Korea during the three-year war there inflation increased thirteen hundred percent, we haven't done too badly in Vietnam. Actually, prices in Saigon were stable between August of '68 and April of '69 and there was a big spurt in imports starting last August, both those financed out of Vietnam's own foreign

exchange resources and those funded under the A.I.D. commercial import program, and this spurt in imports was the biggest factor in helping to keep prices steady because as the demand rose and the imports came in the demand was satisfied in large measure and that prevented prices from going up for a while. However, the pressure on prices is continuing to expand and they've edged up again in the past two months about ten percent since mid-April. Increases in the money supply in 1968 were much greater than the price rises. That means that the piasters that were being poured into the economy through the budgetary deficit were much bigger in percentage terms than the actual price rises last year. This means that a lot of people were holding on to piasters rather than spending them and this, as a result, you have what our economist say is an overhang in the economy -- a lot of people with piasters in their pockets, or in their socks, or under the mattresses which they might begin to spend at any time, creating additional pressure on prices. In addition, the increased Vietnamese military mobilization and troop build-up, which are necessary of course if we're going to be able to reduce American forces in Vietnam, are leading to increased Vietnamese military expenditures and thus an increased budgetary deficit and lower pressure on prices. There are two ways, two essential ways, of trying to meet these inflationary pressures. One is through taxation. This is the reason Mr. Nixon happens to be pushing the surtax bill here in Washington at the present time. We use essentially the same remedies in Vietnam in this field, and we're pushing the Vietnamese Government on expanding its tax revenues, and we have had a certain amount of success this year. When I was out there in January, the Minister of Finance told me that he was projecting a forty percent rise in total tax receipts in 1969 over 1968. In fact, receipts for the first five months of 1969 have run ninety-seven percent over what they

were in 1968, which is a very good record. They're not going to continue to run much over '68 because the receipts in the first few months of '68 were lower than normal as a result of the offenses against the cities, and they rose in the latter part of '68. But, I think it is fair to conclude that the projection by the Minister of Finance of a forty percent increase in tax receipts will not only be met, but exceeded. And that's pretty good in any man's language if you can increase your receipts forty percent in one year.

The other way which we meet the inflationary pressures is by helping the Vietnamese Government increase its imports in order to soak up some of these additional piasters that are pouring into the economy. We're asking the Congress for two hundred and forty million dollars for this purpose in Fiscal Year 1970 and that's over half of our total A.I.D. bill for Vietnam. So you can see this is a very significant element in our program in Vietnam. We're actually asking for thirty-five million dollars more in Fiscal Year '70 for this purpose than we used in Fiscal Year 1969 when two hundred and five million dollars of imports were licensed under the A.I.D. funded commercial import program.

I'd like to say that the Vietnamese Government funded out of its own foreign exchange resources about four hundred and sixty million. In other words, it did about twice as much as we do. I make that point because I think very often here in the States there's the feeling that the Vietnamese are not doing very much or not enough for themselves. I won't say they're doing enough, but I think they're doing an increasing amount and I think some of these figures on what they are doing are useful to get across to you people going out there and particularly to your friends here in the States whom you're going to leave behind. I might say that the two hundred and forty million dollars that we're asking for this area of our

program this year does not take into account any effects on this area of reductions in U. S. forces. I'll explain to you what I mean. At the present time forty-five to fifty percent of Vietnam's annual foreign exchange earnings come from the U. S. military sector -- in major share from conversions of dollars into piasters by the U. S. Department of Defense to pay the enormous number of Vietnamese employees which our military establishment in Vietnam has. We employ about one hundred and fifty thousand Vietnamese and it takes a lot of money to meet that monthly payroll. So, a good deal of the dollar earnings of Vietnam come from this source and, in addition, there's a certain amount of dollars, personal expenditures spent by the troops although that has been quite deliberately held down over the past two or three years. As U. S. forces are reduced in Vietnam, U. S. employment of Vietnamese will gradually decline as well, and this means that Vietnam's foreign exchange earnings are going to decrease. Therefore, if the Vietnamese have to continue to maintain a very sizeable Army -- and the security situation certainly would indicate at the present that they will -- they're going to have increasing budgetary expenditures at the same time that their foreign exchange availabilities from their own earnings are going down. This means that the outlook is that the A.I.D. financed portion of their import bill is likely to increase in future years. This is not too good a prospect for some of our members of our Congress, but I think if you look at it in this perspective that overall the U. S. cost in Vietnam will be very substantially less as we pull certain number of our forces out even if the A.I.D. portion goes up a bit -- If you look at it in that light, I think the outlook is not too bad.

In addition to what we finance out of the A.I.D. program to fight inflation, we also put in a considerable amount of surplus

agricultural commodities under Public Law 480, and this is not to be confused with my previous reference to those commodities under Public Law 480. For refugees we furnish food, similar surplus commodities, free of charge, as a grant. They're made available to the Vietnamese Government, without any payment to us, to give to the people. But, in addition, we also make available under Public Law 480 agricultural commodities such as wheat flour, rice, tobacco, cotton, similar items, for sale in the commercial sector in Vietnam. Now, for those commodities we are paid in piasters since these commodities are imported by commercial importers and they pay into an account in Vietnam, a U. S. account, the piaster cost of these commodities. We, in turn, use a certain number of those piasters for our administrative purposes; then we turn around and we reallocate eighty percent of our piaster receipts from these commodities to support the military budget, thus reducing the Vietnamese Government's deficit and easing to that extent the inflationary pressures caused by the budgetary deficit.

Now I'm going to turn to the third major category of our A.I.D. program, and that's development. Our activities in this field have also been heavily influenced by the war. Major emphasis has been placed over the past two years on rural areas because of the close relationship of agricultural and other rural development to village and hamlet pacification. Industry, on the other hand, is located in urban areas where full employment generally already exists. For that reason we've confined our industrial assistance largely to reconstruction of war damage. If we were to encourage the expansion of industry at this stage, all we would have done would have been to worsen the inflation because the full employment of manpower means that if you encourage Factory X to open up, he's got to get his manpower, in effect, by stealing it from somebody else and thus

driving wages and therefore prices up. So, during the war years thus far,

we have held down on our assistance to industry, ~~for development purposes, in rice, etc.~~

In the economic infra-structure area, and by that term I mean transportation, communications, power, water, other utilities, the A.I.D. assistance has generally been limited during the war to keeping existing facilities maintained and in operation, except where war-time requirements have dictated expansion. The Department of Defense, as a heavy user of these facilities, has also shared in their funding. Now, for development purposes, we're asking for a total of sixty-eight million dollars in Fiscal Year '70. For this Fiscal Year the rural areas will continue to receive priority attention. The Vietnamese Government's strategy, which we support, is to place great emphasis on improving income, living standards and social conditions in those areas. As President Thieu has put it, this becomes all the more important as the Government moves toward an era of political competition with the communists. He told me this in exactly those words when I saw him when I was out there on a visit in January.

The rice production program, which is based on the new, high yielding varieties which have been developed in the Philippines -- the International Rice Research Institute -- and which yield two to four times the old Vietnamese varieties has caught on so well that the Government's target of three hundred and seventy five thousand to five hundred thousand acres in 1969, in comparison with about a hundred thousand acres in '68 which was the first year of this program, seems likely to be attained. We can't tell you absolutely what it will be because it's not all in the ground yet. They have two main plantings, one of which is just going into the ground, and the other one will go into the ground in November and December. But all indications are that this program is

moving along beautifully. Given good weather and a reasonable degree of security, the goal of self-sufficiency in rice by the end of 1971, which requires expansion of the new varieties to one and a half million acres, is within reach. In other words, in about three years from now Vietnam should be back in the situation that it was in before the war where it produced all the rice that it needed, and it probably will be able to produce a considerable surplus of these new varieties. But, since all the countries of Asia are going in for the new varieties, it's going to be a real marketing problem. So I don't look for any great export bonanza for the Vietnamese. I do think that the Vietnamese will be able to compete with the Thai and the Burmese for the limited export markets available because I think that rice can be produced quite economically in the Mekong Delta. But, with everybody going in for rice production, the only two big markets that are likely to be left a few years from now seems to me are the cities of Singapore and HongKong. And they can't eat all the rice that's coming out of Thailand, Burma, Vietnam, and other countries. There probably will continue to be a market in Indonesia for a while but even the Indonesians are going in for the new rice program. The Philippines, which were a net importer, have now reached the stage where they're in a position to export. Malaysia also has been an importer and they're building their production. So I would say the outlook for export rice is not particularly bright for the future. But we do want to see the Vietnamese get to the point where they're self-sufficient again.

The chicken and hog production programs on which a lot of emphasis is being put aim at annual increases of fifteen and ten percent, respectively, in production. Chicken development was based largely on imported one-day old baby chicks of 1968 coming in from Singapore, Taiwan,

Japan, other countries in that area. Now in-country hatchery capacity is being expanded rapidly. Vaccine production has soared and a system for distribution to the provinces has been established, and a very sizeable animal feed mill, animal feed industry, has been set up over the past few months and is in the process of expanding.

Agricultural credit totaled about forty million dollars in 1968 which is a hundred and thirty percent over 1967. Fertilizer use, and mark these figures because it shows how agriculture is expanding in Vietnam, has left from two hundred and fifty thousand tons in 1968 to the expected level of more than four hundred thousand tons in 1969, and five hundred thousand tons in 1970. Now again, these are some figures you can use with your friends, particularly a lot of Americans who think that Vietnam is just one big scene of destruction and desolation as a result of the war. But these figures show you what is happening in the way of expanded production in that Country despite the war.

The Vietnamese Government has decided to give the highest priority to land reform. The Government will try to complete the distribution in 1969 of as much as possible of the approximately three hundred and seventy-five thousand acres of cultivable land now owned by the Government. With respect to privately owned land, the Government has announced a dramatically new approach within the past month -- a vastly expanded program of free land to tenants with Government payment of the landlords. We supported the initiation of this new program by allocating ten million dollars in Fiscal Year '69 A.I.D. funds and have requested thirty million dollars from the Congress for that purpose in Fiscal Year 1970. None of these funds will be released until the new land reform bill has been approved by the Vietnamese National Assembly. It was introduced on July first, is under consideration now in the Agricultural Committee of the lower House, and will probably be

considered by the full body sometimes over the next several weeks.

Elementary education at the village and hamlet level also continues to be a major focus of our program. This means construction of classrooms, accelerated training of teachers, and distribution of textbooks, and we're helping in all of these areas. The extent of progress is shown by the fact that seventy-nine percent of the elementary school age group children are now in school, with a national goal of eighty-five percent by the opening of the school year in late 1970. We're now beginning to stress secondary education in both rural and urban areas to a considerably greater extent. About twenty percent of the secondary school age groups are in school and the target is twenty-four percent for '70, and for '70-'71 that'll have to be raised progressively.

In the urban areas despite generally full urban employment, social conditions are often miserable in the streets of the city, as you'll see when you get out there. For that reason a Saigon civil assistance group was set up in 1968 by CORDS, with A.I.D. assistance, to help the municipal authorities carry out self-help programs and deal with traffic control, garbage collection and other problems of city management. Some of you if you haven't been to Saigon may have the impression that the City is a bit dirty when you get there, but it is far better than it was a year, a year and a half ago. Garbage has been picked up, is picked up much better. You'll still like to see some improvement in it when you get out there, but the situation seems considerably better as the Government has gotten better organized to deal with it. Similar assistance at the municipal level is now being instituted in the second largest city, which is DaNang, in the northern part of South Vietnam.

Maintenance of full employment will be politically essential for successful political competition with the communists. As I think I mentioned,

as employment by the U. S. establishment declines with reduction of U. S. forces, we expect to use our assistance to encourage industrial development and provide employment opportunities. This will be a reversal of the policy that we've been maintaining up to now and I would expect that to come sometime over the next several months as the situation dictates.

Now a few words about title 9 of the Foreign Assistance Act, the A.I.D. Act. Title 9 is the, that part of our basic Act which encourages political development, and I'll give you a few words on what we're doing in terms of development of popular participation in the political process in Vietnam. We have projects of assistance to trade unions for their development and to youth organizations. In Vietnam, for example, there's what's called the 4-T organization which is the equivalent of the U. S. 4-H organization. You also find the Boy Scouts. I saw the Boy Scouts active, for example, when I visited up in Quang Ngai Province in January in connection with a major military operation under which the people of a certain area were being moved out temporarily so that our forces and the Vietnamese forces could go in and flush out the communists. As those people were moved out into temporary camps, here were the Boy Scouts among others helping to feed them and take care of them. Farmers' organizations and cooperatives are another example of what we're doing in the political development field. These organizations/^{which}were originally established several years ago by the Vietnamese Government of President Diem's day have now begun to acquire an independent vitality of their own.

The village development program with its effort to enhance the authority of village officials through organizational changes and through training, which is assisted by our Public Administration program, and the involvement of the villagers themselves in projects through the reoriented self-help approach, which I've described, is designed to enlarge the role

of the village in the Vietnamese political system and to develop village democracy, a term which is used by President Thieu. At the same time the A.I.D. program continues to seek to strengthen institutions of the central government. For example, the Ministry of Public Works, Transportation and Communications we've helped with our Public Administration program to improve that -- a combination of two ministers or formerly separate ministries of public works and transportation. We've also helped them set up an inspector in this Ministry to try to make sure that projects get carried out on time and as they should be, without wastage of funds. The Ministry of Agriculture and Land Reform we've worked with the Vietnamese to combine several offices at the provincial level into a single office. Previously there was an office of agricultural extension, one for forestry, one for fisheries, one for livestock, so on. These are all now combined under a single boss which is a much more efficient way to operate. We've also helped the Vietnamese Government set up a central logistics agency as well as a national maintenance system to make sure that supplies flow out and that equipment -- cars, heavy equipment used in construction of roads, etc. -- is kept running. This is a perennial problem. You'll run into it when you're out there. Not all of the problems in that area have been licked by any means. It's one that has to be worked on all the time.

Also, an inter-ministerial manpower coordinating committee has been set up under the Ministry of Labor with the power to develop policies and plans for manpower distribution and utilization. This is an area that has plagued the Vietnamese, and us, for a long time -- to get the adequate and efficient utilization of Vietnamese manpower particularly in the civilian side. The military, for military mobilization purposes, the Government has been quite successful in getting the manpower required and will continue to do so. But to divvy-up manpower among the various competing civilian demands,

to make sure that those which should have priority get it, is a more difficult thing. This one's being worked on but again here's an area with still a lot of problems to be resolved. We're also helping to strengthen health institutions. We have built a medical science building with the Faculty of Medicine in Saigon and we are discussing a teaching hospital to be connected with it. We're also working with the Vietnamese in several higher level educational institutions -- college of agriculture, college of engineering, teacher training institutions. We're doing a number of things to help them develop their institutions so that sooner or later they'll be able to carry on themselves as a viable government and society.

Now I'd like to say a few words about economic planning. In April and May an economic planning report which had been jointly prepared by the Lillenthal firm I mentioned and its Vietnamese counterpart was presented to President Thieu and subsequently to President Nixon. This is the principle post-war planning effort to date. This report establishes objectives, provides a development strategy, and sets up a framework for further economic planning. There's a lot more work that has to be done in order to flush that out -- flush it out-- and that's in the process at the present time. In addition, A.I.D. has initiated feasibility studies for the development of several industries -- fertilizer, chemicals, pulp and paper, cement. We're also studying, with military authorities, the possible peace-time use of existing military facilities in Vietnam. There are lots of bases that have been built by the Americans in Vietnam. What's going to happen to those bases as we wind down our machine there? Some of them will undoubtedly go to the Vietnamese for military purposes, but they're not going to require all of them. What use can be made of them in a civilian sense? Similarly with respect to the immense amounts of equipment which have been put in by our military authorities, some of this can be used. We ought to be careful

what we encourage the Vietnamese to take over. Take for example the tele-communications field. It would be easy enough to encourage the Vietnamese to take over the very intricate, elaborate systems that have been set up by our people, without any further adieu, but we could find that a lot of that would be completely wasted, that the Vietnamese have neither the technical manpower nor the money resources to maintain and operate such a system. So we've got to be sure that what we do encourage our military officials and encourage the Vietnamese to accept is something which is within their capability to manage and use. Otherwise, we've defeated our objective.

We're also moving forward with special studies in the fields of transportation and health. In the field of transportation we're having a look, or we propose to have a look -- the project calls for increased funds, at all the various means of transportation in Vietnam to try to determine which ones should be further developed, why and how. For example, one question that we're confronted with: Should the Vietnamese be encouraged to maintain the railway in operation -- part of it's in operation now; a great deal of it has been sabotaged during the war years but our military have found it very useful in certain sectors at any rate for hauling military equipment; but the railroad parallels a road up through (Vietnam's a long, thin country) and the railroad parallels the road going from Saigon to DaNang and Hue -- with possibility of truck transportation, or even better yet, with the possibilities of coastal steamers which are probably cheaper? Should the Vietnamese be encouraged to have all three of these modes of transportation or only a couple of them? This is a question to which we don't have an answer yet. We hope that this transport study will help us to get one.

In the field of health, I already indicated to you we've helped the Vietnamese build a lot of facilities over the past several years. The question now arises: How much more should we encourage them to build, because there is a point beyond which the Vietnamese will have neither the people nor the money in their budget to operate and maintain these facilities? Build too many hospitals, they may just run to ruin if the Vietnamese don't have the resources to sustain them. So what we are doing with the Ministry of Health now is trying to project Vietnam's health needs ten years ahead in light of the resources likely to be available to support those needs. The same thing's going to have to be done in the education field. We're not as far along there yet. We haven't really started a study, but sooner or later it's going to have to be done there also.

We also will have special study in the power field. How much in the way of power facilities should Vietnam develop? We were all set to go out to set up a contract in that field but decided to hold off because we haven't got any Vietnamese counterparts at the moment. Too many of them have been drafted into the armed forces, using all their available power people to keep in operation what they've got now. They don't have any to spare to sit down and study with us. We've found all too often if we go off and make the studies by ourselves without any Vietnamese involvement, then the Vietnamese won't pay much attention to them. They want to be, quite naturally, want to be involved themselves in those studies. Then we may also need a special study in the tele-communications field for the reason I indicated earlier, to determine just what the Vietnamese will be able to use effectively in that area.

Another area, planning area (and I think this is perhaps the most important of all; I certainly place a great deal of emphasis on it) is finding

the kinds of products which Vietnam can produce either for export or for import substitution, on competitive terms. And I emphasize that, because you know that/Vietnam's balance of payments at the present time, the Country is faced with an enormous problem in the future. I'll explain later just what I mean. At the present time Vietnam is importing about eight hundred million dollars worth of merchandise a year. Its exports run about thirty million dollars. That means that it's got a deficit of over seven hundred million dollars. That deficit is met now, as I indicated, about forty-five to fifty percent by earnings from the U. S. military; it's met about twenty-five percent by the A.I.D. commercial import program; and the balance by our surplus agricultural commodities program. None of these can the Vietnamese count on forever. Some of them are going to be ended this year very shortly, so the Vietnamese are going to have to put a lot of emphasis on finding what they can produce to export and, in my view, what they've got to look for there is the Japanese market. With the tremendous expansion in income in Japan (I think someone recently predicted that by ten years - this seems fantastic; I'm not absolutely sure of this figure - the Japanese will have a five thousand dollar a year per capita income. I think we have only about three thousand here in the States at this time, so that sounds a little fantastic in ten years, but nonetheless Japan's growth is phenomenal), Japan is going to become an ever bigger market and that's the one that, in my view, Vietnam should look to primarily.

There's another area I think Vietnam can look to for great business if peace and security are restored. You know the Japanese are going to be looking for their "Florida". They're going to want to go south for the winter and there's no better place to go south in East Asia than the magnificent beaches along the South China Sea. As you fly and drive up and down that coastline, you will find no better beaches anywhere in the world -- magnificent

sandy stretches almost totally unused today. Now I can envisage ten years from now hotels stretched all up and down that coast, assuming peace and security, just filled with Japanese. You'll find now as you travel out to Saigon that Japanese tourists are all over Southeast Asia - HongKong, Bangkok, and so forth. The Japanese have got money these days. So I don't despair of Vietnam's future despite this enormous balance of payments deficit. It's going to have to be worked on to be licked.

Finally, I would like to turn to a few remarks on the management and administration of our program. We have here in Washington the Vietnam Bureau which was created some two years ago. At its peak strength in December '67 this Bureau had four hundred and ninety seven positions and four hundred and fifty seven people on board. We've been in the process of tightening it down particularly over the past year and I think now we have - What? Three hundred fifteen positions. Is that right? (Right.) I know you keep cutting a few out so I'm not sure whether I'm always totally up to date and I'm all with you to keep reducing that number.

In Vietnam our A.I.D. funded organization consists of two elements. One, the normal A.I.D. Mission (USAID) into which I think virtually all of you are going. It administers the stabilization program and the development programs which I've been discussing -- agriculture, public health, industry, public administration, education, and so on. The other organizational element in Saigon is CORDS, that is Civil Operations and Revolutionary Development Support, this component of the Military Assistance Command. Now it administers the war-related programs which A.I.D. funds, and administers a lot of other programs which A.I.D. does not fund. It administers the pacification program, the police program and the refugee program. CORDS has a headquarters in Saigon in the Military Assistance Command. It also has four regional headquarters -- in Can Tho, Bien Hoa, Nha Trang, and DaNang; and below the

regional level CORDS has advisory teams in every province and at most of the districts, so that you get the CORDS establishment on three different levels.

Now there are some USAID people, quite a number of them, who are assigned out in the field in the provinces. Those people who are assigned in the field have two bosses. One they're responsible for technical direction to their technical position back in Saigon. If you're in the health field, you're responsible to the Public Health Division; education, Education Division; agriculture, the Agriculture Division; and so on. But, in addition, if you're stationed in the field at a regional headquarters, province level or district, you're also responsible to CORDS for purposes of operational control and coordination. Now this is not as unusual as it may strike you at first flush. I don't know whether it's true in private industry, I suspect it is, but in the Government you often have two bosses. I, for example, was Director of the A.I.D. Mission in Laos for three years. In other words, I was the top man in the Mission, but I also had a couple of bosses. One boss was A.I.D. back here in Washington. I always had to keep an eye on them. But my other boss was the Ambassador. Sometimes those bosses don't always see eye-to-eye, but you don't have too many problems in that respect. And in Vietnam, any of you who're going to be assigned out in the field -- in education, agriculture, health, public administration and so on -- will find that in a sense you have two-bosses. You have to operate under CORDS control for purposes of coordinating your function with other functions at the province level to make sure that everything at the province and district level meshes. But you'll also look for technical direction back to your division headquarters in Saigon. Now even if CORDS didn't exist, this dual control would still be there. I had it in Laos at the regional level even though we

didn't have CORDS. For example, I had five regional offices in Laos as well as provincial offices. Those men who were charged reported back to me. In addition, there were assigned at regional or provincial level, education, agricultural, public works and other kinds of personnel. They would look back to Vientienne in Laos for technical direction from their respective divisions, but I also expected them to take orders from the regional man in terms of coordinating, for example public works and the agriculture function. To give you a very concrete example, one of the things we were doing was building small irrigation dams. They would often be built by our Public Works Division, but they had to be extremely closely coordinated with our agriculture people because they're serving crop production. Well, I expected my regional man to make sure that those two people worked together. It's essentially the same thing in Vietnam.

In terms of numbers, our A.I.D. funded personnel in Saigon grew very rapidly from '65 to '68. On January 1, '66 we had six hundred and thirty A.I.D. funded Americans. A year later this number had doubled in size and it almost doubled again during the next year to the point where our peak was reached in January 1968 with about twenty four hundred positions and some twenty one hundred people on board. In Vietnam, just as we are here in Washington, we've been in the process of cutting back since that time. By the end of June '69, that is last month, the authorized ceiling in Vietnam had been cut back from some twenty four hundred to a little under twenty one hundred, and there's now a further reduction in process. You may have seen an announcement by President Nixon about ten days ago in which he said that civilians overseas are going to be cut ten percent in terms of numbers; and he added Vietnam will be cut by a higher percentage, but he did not indicate what the percentage is. That has not yet been worked out. So I anticipate that there will be some further cuts in terms of numbers of people in Vietnam.

Now, of the total number, roughly half of the A.I.D. funded people are in USAID and roughly half in CORDS.

Finally, I would like to say a word about our management of commodities. This is an area which gave A.I.D. a tremendous amount of trouble two or three years ago. We were subjected to an immense amount of criticism, both by the press and in the Congress, because of the way we were managing our commodity input into Vietnam. We've made major improvements since that time. In our commercial import program, for example, we now have a much smaller and more precise list of commodities which are eligible for financing and for the past two years all licenses for imports under this program have been reviewed not only by the Vietnamese but by commodity analysts in the USAID Headquarters in Saigon to make sure that the commodity, the importer and the supplier are eligible. Here in Washington we have additional special controls, some of which operate out of Mr. Koster's offices -- on his way out to be your Controller. As a result of this tightened control system, not only in the commercial import program field but with respect to commodities which go in for our projects, we have reduced losses very substantially. In 1968 we found that losses from all causes for commercial import program goods were infinitesimal. I'll give you - I'll show you what I mean. About forty to sixty percent of all shipments that arrived under the commercial import program (when you bear in mind this program runs about two hundred million dollars, that's pretty sizeable) forty to sixty percent of all these shipments were inspected by U. S. customs inspectors in Saigon and they found that out of eight million units which they examined -- these are bales, boxes, cases, or what have you -- eight million units, only a hundred units were missing. It's so infinitesimal that I couldn't even spell out what the percentage is. Somebody told me, I'm not sure whether it's one ten thousandth or one one hundred thousandth. I get lost at that point. But this is compared with

losses of two to five percent in this program in 1966. So there's been vast improvement in it. Similarly, in our project program, that is the goods that do not go in for sale into the commercial sector in Vietnam but go in for use on a gift basis to refugees, for schools, and so forth, we've reduced our losses from an estimated ten to fifteen percent in 1966 to less than two percent today, between the time a ship discharges and the time the goods reaches a regional or province warehouse. We still don't have our system where we can give you a specific figure beyond that point, although we do have an audit trail established so Mr. Kusters can follow that bag of cement right on out to the point where it's used in the schoolhouse.

One other thing on our management area, and this is for any of you who are tuned to the new systems of management - to the new techniques in management-- we are increasingly utilizing systems management in promoting, planning and implementation of our programs in Vietnam, thus far particularly in our new rice program, the land reform program and the commercial import program. We have automatic data processing systems installed giving us quick and comprehensive information in these and various other fields related to personnel and logistics, thus facilitating good management. Therefore, we think we've made substantial strides in improving the management of our programs in Vietnam, but we've still got a long way to go and we look to all of you to help us improve it in management terms once you get there.

Thank you!