

T R A N S C R I P T

• on the record press conference by

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AFVN Television Studios, Saigon

December 12, 1968

Ladies--- one lady -- gentlemen, Good morning. I am very pleased to be with you this morning to have a chance to talk to you a bit about the work of USAID--that is the United States Agency for International Development in Vietnam-- and to tell you something of what we have done in this tumultuous year of 1968 that is about to end.

First of all, I suppose I should express my thanks to you for your interest in coming here. I have often sensed that many of the activities of USAID tend to go somewhat unnoticed in the stress of the war and much more recently in the attention that is now beginning to center on everybody's hopes for peace. USAID activities are--have always been, I believe--important and several times critical to successfully carrying out the war and, certainly they are critical to building the path to peace. I am sure you're all familiar with the range of activities that USAID is responsible for carrying on. It is a very considerable range, a great variety of activities. Nonetheless, everything that the organization does falls under one of three major headings.

First is the assistance that we give to the Vietnamese, the government and the people of Vietnam, to maintain their economic stability, to carry on the fight against inflation, to enable the government to support the war effort that it would not be able to without a strong and reasonably viable economy, and at the same time to give the average Vietnamese citizen the protection that he must have from the kind of runaway insidious inflation that has too often happened in other situations of this sort around the world in the last 20 years. I think you'll all recall the human suffering that took place as a result of economic chaos in Korea during the comparable period of 1951 to 1953 when it is said tens of thousands of Koreans died for lack of food from the direct result of an inflation which has not taken place here.

The second form of our assistance is that which we give primarily to the government but also to the people of Vietnam, to carry out a whole series of war-related programs--programs that are being carried out because the war makes it necessary that this be done. Assistance--technical, material, financial--to the maintenance of roads and harbors throughout the country. Assistance to the operation of airports throughout the country, particularly that in Saigon at Tan Son Nhut, where we have more than 40 civil aviation operators at work. Assistance to the medical effort of the Ministry of Health to care for all civilian Vietnamese in the 47 provincial hospitals and particularly to give care to the civilian war injured in those hospitals. The material resources that we provide to refugees.

Third, our assistance in a somewhat longer range context is made available to the self-help efforts of the people of Vietnam and their government to improve the quality and increase the provision of public services of a variety of sorts--not only in public health but in agriculture and education and a number of other areas, and to help them in their effort to build their nation as a better place to live in the time ahead.

1968 was a full year--no more so I suppose for USAID than for any of the rest of us. It was a year that for us began in great confidence, in promise. It was a year that began in considerable confidence, shifting all too soon at the end of January to a crisis, an emergency, then to the process of recovery during the Spring and early summer months, and is ending, I am happy to say, with renewed momentum and a return to the basis, I believe, for a cautious optimism for further improvement in the year ahead.

Let me tell you a bit about the specifics of that year and after I've talked for a few minutes I'd be very pleased to answer or to try to answer any

questions at all that you may have.

I think you will all recall how the year started. It started with inflation under manageable control, having run at a rate of just over 30% in the preceding year which had cut in half the serious and very troublesome inflationary growth of the previous year of 12%. 1968 started with a port here in Saigon functioning as smoothly and as efficiently as, I think, any that you will find in the Far East, certainly in Southeast Asia. This was the same port that only eight months earlier had quite a notoriety around the world as being congested, as being in chaos, as being crammed with up to 1700 barges filled with goods that this economy needed but could not get because of the confusion and chaos in the port. 1968 started without that problem. 1968 started with a promising growth of rural prosperity, particularly in the Delta. In the preceding year, or perhaps 18 months, there had been a significant change in the terms of trade between the cities of this country and the rural areas, a shift that did not just happen but came about as a result of sensible economic policies that had been followed by the government of Vietnam to maintain the prices at which farmers sold their products at a sufficiently high level to enable them to have the purchasing power to buy the things that they needed to increase production and to keep the process of economic growth moving along. It started also I think with an increasing capability on the part of the apparatus of government generally. A better job was being done-a better job was being done in the collection of taxes with which to finance this war and thus to give some relief to the American taxpayer who in the prior year had to carry a larger share than would otherwise have been the case. There was in the immediately preceding year a 20% increase in revenues realized by the Government of Vietnam.

I would recall to your minds too that there was considerable momentum going forward at the beginning of 1968 in the organization of local government and particularly in those villages--half the villages of the country--in which elections had been held, in which elected village councils existed and village administrative committees had been appointed. A very ambitious training period was going forward to acquaint the newly appointed and elected officials with the forms and the purposes of local government authorities that they had realized under the new constitutional arrangements and as a direct result of the elections. USAID itself, I think, in the beginning of 1968 felt that it was a better managed organization than it had been, that it had a year to consolidate its great growth. It felt itself in good shape. Our warehouses were full and were orderly. This was a very happy circumstance as events later proved that we had on hand the cement, the food, the roofing, all the other needs that were so critical in the months that followed.

Well, all these were good signs. I mention them not as generalities but as areas of progress in which USAID had been directly or indirectly involved in a number of ways. I would stress to you that all of our efforts were in the form of supporting roles to the Government of Vietnam. I would stress to you that these good signs we saw in 1968 were principally the signs of an improving Vietnamese capability that perhaps we'd had a hand in creating.

So much for the fine beginning! The attacks that came on the early morning of January 31st--the enemy Tet attacks and those that were repeated in the Spring in April and May--had a devastating effect, a positively devastating effect, on the momentums that I have just talked about. February opened with fighting in the streets of Saigon and in most of the provincial capitals throughout the country. All the forward motion that I've talked about was halted dead

in its tracks. The economy suffered a tremendous shock and there was serious risk of permanent or at least of prolonged damage, of prolonged stagnation, and I have no doubt but that the enemy had this precisely in mind--the stagnation, the crippling of the economy for a prolonged period in order to complement his military attack.

Let me just catalogue some of the immediate problems. Within those few weeks and then the repeat performance in April and May, up to about 50 million dollars worth of damage was done to this country's really very modest and limited industrial facilities, 50 million dollars worth of damage. At three o'clock in the morning on January 31st, all commerce stopped, goods no longer flowed, rice did not come into Saigon from the Delta, fertilizer, pesticides, pumps and all the rest did not leave Saigon to go to the Delta. The burgeoning prosperity that we were witnessing was stopped dead in its tracks. The stores in all the cities, and particularly in Saigon, closed and stayed closed. For many, many days there was fear that starvation would break out. Prices skyrocketed. All of us and all of our colleagues in the Ministry of Agriculture, in the National Institute of Statistics, were too busy even to take the weekly retail price index survey but we know that they skyrocketed; they more than doubled and tripled in many areas. Import licensing stopped immediately and totally for several months. Obviously no businessmen were about to continue with any investments that they had in mind. And even the port that had been such a problem the previous year and had finally been cleared up was in danger of being congested once again as the curfew limitations prevented stevedores from coming in and unloading ships that were still arriving even at the height of the attack.

The crisis was not only an economic crisis, however. 140 thousand houses were destroyed throughout the country in the first attacks, and another 25 or 30 thousand were destroyed in the April and May attacks. The hospitals were crowded throughout the country throughout February. The rate of civilian war injured went steeply up, particularly in February when it more than doubled, as I recall. It did not stay at that rate throughout the year but there had been as a result of enemy attack throughout 1968 an increase of about 60% in the numbers of civilian war injured. Last year there were in 1967 just 48,000 civilian war injured, as I recall; although the year is not yet over, our estimate is that this year's total will be something on the order of 82-83,000--a 60% increase. All the schools in the country were closed. A million people were rendered homeless, temporarily but homeless nonetheless. Many of them in Saigon as you know. In the first few weeks of the attack there was a serious risk of the collapse of the city's ability to continue to live and function as a city. There was the risk of the failure of power--of electric power--of the availability of water, of telecommunications, real risks, and obviously there was the risk of plague, of cholera, of smallpox epidemics of substantial proportions.

The picture had turned from very good to very bad very quickly, and it was a serious situation. Naturally USAID essentially stopped everything it had been doing. We're an advisory agency carrying on as best we can reasonably orderly programs of assistance to the various ministries but we stopped that and turned to, with the Vietnamese, to cope with the emergencies, with the crisis. You will recall that shortly after the first attack, President Thieu established a committee, "Operation Recovery", to deal with the emergency. USAID among other U.S. agencies and other Free World Assistance countries here participated daily in the work of "Operation Recovery". My chief engineer and most of his staff were working

directly in connection with the programs that came out of that committee. My chief of public health did the same. My chief logistician was deeply involved in working with it too. In the weeks that followed USAID Public Health--men and women, doctors and nurses--literally worked around the clock. They risked their lives. They were traveling in this city and other cities throughout Vietnam despite the curfew, going to hospitals, going to refugee centers, going to the schools in which refugees had flocked to give care, to dispense direct medical care to injured people and to get on with improvised immunization programs. Our USAID logisticians risked their lives; I believe they were among the first Americans, civilian or military, to go into Cholon to open up the rice warehouses there, to drive truckloads of rice back to the distribution stations that the government had set up in mid-February. It was the same with USAID's air operations people at Tan Son Nhut where we have 40 people. They lived on their jobs; they lived in their offices. And it was the same with our water engineers, our power engineers, our telecommunications people. We weren't doing normal USAID work; we were dealing with the emergency.

A lot of our people, anxious to do something, and being essentially unemployed because they weren't reporting every morning to the teacher-training institute at 8 o'clock, volunteered to form voluntary service groups and some of them drove the trucks that brought rice back from Cholon and some of them rode shotgun with the nurses as they made their rounds. Incidentally, I had a good deal of pleasure yesterday in handing out awards to 15 of the 61 people who were given awards by the Agency for valor.

You will recall that toward the end of February and beginning in March, the enemy began to withdraw from the cities. And following this and the first emergency efforts that I have talked about, we began to organize ourselves to help in the full

recovery which took place between, I would say, the middle of March and I would put its end at September, this effort at recovery. All of the schools throughout the country with one or two exceptions were opened by April 1st and enrollments started their upward curve again to the all-time record--records, plural--that were established. This year there are 76 percent of all the primary school age kids in primary school. That compares with the 5 percent that were in primary schools back in 1954. By the summer, by July, nearly 2 million bags of cement, nearly 2 million--actually both figures are 1.8 million as I recall--sheets of roofing, all USAID-provided, had been dispensed to the families that had been temporarily evacuated from their houses. And by August there were no evacuees. The million evacuees had been accommodated. They had either been enabled by improved security to go back to their undamaged homes or to rebuild their damaged homes or to go elsewhere and start all over with the means that had been given them. The hospitals were back to normal. The electric power generating capacity in Saigon not only held up but an all time record of 116 megawatts was established in August, and that was broken last month with a new all time record of 133 megawatts.

All these accomplishments in catching up to where the Vietnamese had been in January were accomplished at the same time that full mobilization was being undertaken. By the late summer a quarter of a million Vietnamese had been added to the armed services and many of them had been drawn from the ranks of civil service.

The economy was slower to come back than were these other areas that were damaged and we were troubled with the slowness of the response of the economy. And we had less means to deal with this problem than we did with dispensing, for instance, cement and roofing to take care of the housing problem. The vitality of the economy depended in considerable part not only in public incentive to private businessmen but to their response to the situation, and they were not about to move too

quickly to make new investments to begin once again to import goods until their confidence was adequately restored. The process of the restoration of business confidence began in June with the establishment of a joint Industrial Reconstruction Fund. USAID provided 10 million dollars in late June and the Government of Vietnam 1 billion piastres that were made available to businessmen whose plants had been destroyed or severely damaged. And I think this was the first step in the process in the return to confidence and business activities. In July the government, having had to refer to their assembly, passed a law--a War Risk Insurance law--that enabled merchants still reluctant to travel the roads from here to the Delta to do so with risks insured. In August the real turning point came as prices stabilized. As I recall, the last week in July prices settled out at a level of about 32%--no, I think that's high--29% higher than they were in January, and they have hovered at that level ever since and are now at about 30% higher than the last year level of today. That was in late July, early August. And in early August the next manifestation of the return of business confidence was the first flow and then the increasingly sharp rise in the licensing of new imports. Businessmen were prepared to reach down in their pockets and to take out 40% of the cost of the item that they were importing and take their chances on the situation being under control three, four and sometimes five months later when the imports arrived. By September most of the war damaged plants were operating. They were not operating at full capacity; some were nearly so, others were just getting back into operation. But the confidence was there and the effort was going forward. In late September, President Thieu's committee, "Operation Recovery", was not dismantled but was put in a kind of abeyance. It held its last meeting, I believe, on the 25th of September and has not been called to meet since that time. But it has not been dismantled and I think that a good thing. We still have an enemy, if not as much in our midst, certainly still on our borders.

Plans for Vietnam's accelerated rice production program as determined in January called for 44,000 hectares of IR-8 and IR-5 "Miracle Rice" seed plantings during calendar year 1968, and I think I was the first to say, well, here is one program that we'll have to pack up, put in the files and hope we have a chance to return to sometime in 1968. Somehow or other the program did go forward and there were even in April, May and June, 24,000 hectares planted, and in the second harvest season just started early this fall another 22,000 hectares were planted. So there is an IR-8 program and it happens somehow or other to be a bigger program than the one we planned in January before the Tet attacks.

So as the year ends I think it's reasonably clear that we've gone through the wringer but we've done so collectively--the Vietnamese and the USAID in its help on the programs that I've mentioned. Recovery is substantially complete; not 100% but the economy is again moving. Once again I think we're in a position to look forward given the chance to renew momentum that was building up at the end of last year and that was continuing into the early part of this year.

There are problems, very serious problems--the continuing problem for example of what after all is a very small economy carrying a very large defense effort. Nearly a million men under arms, that's the equivalent of an 18 million man army, as you all know, in the United States, if you do the proportions, and even affluent America has its difficulties in carrying an armed force of that size. So there will be real problems, real strains on this economy. The size of the military is obviously going to increase the problem already serious of the civil service of this country, under-manned and over-worked as it is, to carry out not only the normal and traditional functions of government--security and taxation and the normal public services of health and education--but to carry on these ambitious new programs such as the rice production program. And another one that is

coming along incidentally, I should mention parenthetically here, another ambitious program which the Ministry of Agriculture is now planning and actually instituting in radical increases is protein production, centering first on poultry programs, next on swine and a more distant third on increases in fish production.

Let me continue the digression just long enough to give you the sense and dimension of just what is going on. A year ago Vietnam, with no more exceptions than would prove the rule didn't grow chickens for commercial purposes in this country; it imported them from abroad in frozen condition. By July of this year, in a program that was started just this Spring, baby chicks were coming in at the rate of 200 a week. That rate is now up to--what did I say, 200? That's a mistake. 20,000 a week is correct. The rate is now up to over a quarter million a month. If you can do the extrapolation. And there is every indication that we are going to have a continuing economically important growth of this poultry industry.

Well, I was talking about problems and let me return to them because they are real. The problem of carrying the heavy defense effort; the problems that the civil service has in carrying forward traditional functions in the effort to make progress; the problem of preparing for the future; the problem of building an economy that is viable, that is truly independent without which this nation cannot have its real and final independence. There is a lot of hard work to be done. I think we should all remember that however admirable the progress has been from time to time in the last few years--the innovations of the Vietnamese, the imagination, the determination and the drive to specific results of the sort that I've told you about in rice and protein-- this is still a very small, very limited economy.

It's a colonial economy, and a great deal needs to be done to modernize it, to give it the strength and the self-growth quality that it is going to require in the future. I would end on the note that although I am sobered by the complexity of the problem of developing a longer range strength, I am essentially optimistic about the prospects for Vietnam's longer range growth. I think there are many grounds for a reasonably optimistic look ahead. She is endowed with magnificent resources, natural resources, compared for instance to South Korea. She has a people with imitative qualities, with particular skills at learning and adapting. She has a large pool of skilled manpower as a result of the war and she has the infrastructure of war left behind--roads, harbors, seaports and airports. All these things are going for her in her efforts to build and plan the future. So I think her prospects are quite good.

I talked longer than I intended to and for that you have my apologies. I'll try to make up for it by attempting to answer any question at all.

Question: How much of a problem is corruption and diversion of commodities? Could you compare the situation today with that of, for example, a year ago?

Answer: Well, corruption's a word that many use and I suppose has as many meanings as there are those who use it. I will attempt to deal with your question by telling you the extent to which USAID is able to preserve the integrity of its resources and to put them to their intended uses. In 1968, as a result of really quite exact and precise measurements, we lost from all causes, and I repeat all, including spoilage and the rest, 1.14% of the PL480 foods--Title I foods--that we brought into Vietnam and put into the economy. This specifically includes losses enroute from the United States to the port of Saigon and other Vietnamese ports, and it includes spoilage as well as commodities eaten and destroyed by rats and insects. We estimate, again on the basis of quite precise measurement tools which we now have, less than 1%, less than 1% losses of our Commercial Import Program items. These are the imports into the commercial community other than food--cement, rebar, a whole host of literally a hundred different categories of things--less than 1% loss. Our measurements are not as precise with respect to commodities that we bring in not through the commercial channels but through government channels, such as weapons for the National Police, such as trains, tugs, barges, warehouses for the Ministry of Public Works, such as pharmaceutical and medical supplies for the Ministry of Health, and so on. However, on the basis of a 60% sample, which we will run all the way up to a 100% eventually, we lost between ship's tackle and warehouse of first destination in Saigon, whether it be agriculture warehouse, a Public Works or a Ministry of Public Health warehouse, 1/5 of 1% of these goods. And we estimate that from the warehouse of first destination up-country to ultimate user--and by ultimate user I mean the office or the warehouse at province or district level of the appropriate ministry--about 2-1/2% on the average. You ask me to compare this with losses in the past. It showed significant

improvement over what I estimate to be our total losses when I came here in October 1966; this was my first estimate of a range of 5 to 6%, and although I had to present that to the public as a range of an estimate, we did not have the precise measurements and the full management controls at that time; I was confident of my estimate of 5 to 6%. But that is not as exact as the much lower losses that I have just given to you. I would say that the concern the Congress and the public had that much much larger amounts of loss were taking place were, in my judgement, always without foundation.

Question: Did you say that was 5 to 6% in all categories of imports?

Answer: Everything, Everything.

Question: What figures do this 5 to 6% compare with today?

Answer: Well, I am sorry I cannot in my head quickly do the 2-1/2%, the less than 1%, the 1.14% on an average basis, because this is a complicated arithmetic...Well, let me give you the best that I can, if you are interested in this minute detail. The 2-1/2% plus the 1/5 of 1%, which is if I'm right 2.7%, compares today with my estimate of losses for that category of commodities going all the way up-country to various ministries of between 10 and 15%. The combined 1.14% and less than 1% for PL480 and CIP and I can't do the extrapolations because I forget the exact amounts-- would compare with my estimate two and a half years ago, of between 3 and 5% loss for all commercial imports to include PL480. Does that answer your question, Sir?

Question: Does this include transport to up-country warehouses?

Answer: And district warehouses.

Question: How about losses enroute to the actual school or clinic where the materials are supposed to be used? Do you have any index of the losses there?

Answer: Well, we don't follow the commodity all the way through the alimentary canal, Sir, but we do our very best to control these things and I hope that you will recall, as you reflect on it, that many of these things that we're talking about are 100-ton cranes or extensive acre-wide warehouses that are not easily susceptible of being lost or misplaced. I can't claim absolute and final control of every aspirin that we send up-country but I do think the figures I have given you suggest a pretty good control.

Question: How much has the USAID program increased its actual imports of food or commodities since, let's say, 1967?

Answer: Well, actually our import of things has gone down in 1968 over 1967 and indeed they have gone down from 1966 to 1967. However, the figures I am giving you are percentage figures not absolutes. The reasons our resources, our material imports, had gone down are many. First of all, you don't keep building up once you've built your infrastructure, your warehouses, your logistics effort, you stop doing this. Secondly, there has, as you know, been an increase over the last three years in the foreign exchange reserves of the government of Vietnam, and as these have increased, we have turned to them to finance the importation of many goods that previously USAID had financed, that previously the U.S. taxpayer had financed. So there has been a reduction for both these reasons.

Question: What is the cost of the USAID program?

Answer: Well, in 1968, if I have the figures in mind, the grand total--and I am including in all these figures and indeed in all my remarks, PL480, which is a legislative responsibility of the U.S. Department of Agriculture but which we are handling here on their behalf. Our total AID program is at the rate of...well, is going to be \$495 million this fiscal year. And the components of that are \$165,

I believe, million in project assistance--both the technical advisory and material assistance that we provide in agriculture, education, public health, public works, power, all the rest; \$140 million in commercial imports under which we finance goods coming into the economy--we finance the transactions between Vietnamese importers and American suppliers--and another figure of about \$115 million, I say "about" only because it depends on deliveries in the next few weeks of PL480 goods. And a last item, \$85 million worth of funding from the Department of Defense for road maintenance, road construction, canal engineering, things of this sort, which we are financing jointly with the Department of Defense. It should total \$495 million. The figure last year was \$600 million and the one before that roughly \$700 million.

Question: Can you give us an insight into 1969 goals as compared with this year?

Answer: Let me comment in general, then give you a very few specifics that I would feel it appropriate to offer to an open group here. In general we are, as I told you, concerned about the continuing pressure, inflationary pressure on the economy in the year just ending. There was a budgetary deficit of 40 billion piastres and the budget of the Government of Vietnam, yet to be finally approved so you can't take this as anything resembling a final decision, indicates somewhat of an increase in the budgetary deficit, the specific figure of which I do not believe it would be appropriate for me to mention. But it is an increase of significant proportions to increase our concern about the build-up of inflationary pressure. In having said this I would stress doubly to you that the Vietnamese are as seriously concerned as are we, more so, and that they are taking specific measures to increase their revenues; and the best example I can give you of a specific case was the action by the Minister of Economy just ten days ago, reducing the subsidy on American rice in order to raise the price of all rice and thus to increase revenues. This happens to have an effect not only budgetary but I think also a very beneficial economic effect in providing another

economic effect in providing another incentive to the farmer to plant larger crops which I am confident he will do. Secretary Orville Freeman once said in a recent visit here that he had learned long ago that farmers around the world may be illiterate, they may not be able to read or write, but they can all count--and the Vietnamese seem to be particularly skilled at arithmetic.

Question: Would you repeat the figures on inflation over the past?

Answer: That was 62% in 1966, 31% in 1967 and we think we are coming home with something about the same this year of 31 to 33%.

Question: That's 120% in the space of three years. Since that's more than the actual increase in income for the farmer, isn't he worse off than he was three years ago?

Answer: Well, two things, there is no such thing as an average person, and there are some people who get hurt and then there are those who are on the high side and don't. The person worse off as a result of the inflation of the last three years is unfortunately the one who is often called upon to do the critical job--the Civil Servants of Vietnam whose wage increases in that same period of a total of 133% increase in the cost of living I believe to total 80 to 85%. I'm not sure of that and I'll ask Mr. Collin Ostrander to provide it to you later in the afternoon, if that useful to you. I think wages have gone up for Civil Servants 85%. We know the cost of living has gone up 133%. Obviously he's in a squeeze. Let me comment on what he does about it. In the first place this is a full employment economy and Mr. Civil Servant particularly has a wife who has a job and many have children who have jobs so that as the family is an economic unit, it frequently is able to make up that gap and go well beyond it. Let me make another comment. That is that I would say that the hypothetical average Vietnamese is from a purely economic point of view better off, measurably better off today than he was before 1965. There has been in the private sector obviously a rate of increase in salaries significantly greater than the increase in cost of

living. That's one of the reasons that the cost of living has gone up, because there has been heavy--substantial--increases in salaries there. I would also remind us that in Korea between 1951-1953, exactly the same three year period, there was a cost of living increase, an inflation, of over 2700% compared to the 133% here, and there probably was a decline in the wages of Koreans in that three year period, and as I've indicated to you, this great pressure led to the death by starvation of tens of thousands of Koreans. This has not happened here.

Question: Would you go into a little more detail on the previous question as to what you hope to achieve in 1969?

Answer: Well, I didn't really answer Dave's question. I told him that we are worried about the continuing and perhaps increasing pressure on the economy because of inflation; because of the budgetary deficit the government is attempting to cope with this by increasing revenues and by realizing savings wherever possible. It's going to be a very difficult task. It's not going to be easy. I would say to you that, as I look ahead, I believe that those of us now looking ahead have more reason to conclude that inflation will be controlled, considerably more reason than our colleagues of yesteryear, three years ago, who looked forward and saw what appeared then to be the certainty of runaway inflation of the Korean sort. I am confident despite being quite sober about the complexity in the size of the problem. Looking ahead on the more positive side, I told you that the ambitious Vietnamese goal was to attempt to plant 44,000 hectares of IR-8, the rice that on the average has been producing five and six tons compared to two tons of local rice. We didn't think they would make it. They did make it, and as a consequence of this success despite the Tet attacks they have increased their target for next year. They had been planning to attempt 150,000 hectares of IR-8 plantings and they just recently jacked that up to 200,000 hectares; and I'm inclined to think they are going to make this without much trouble. Looking to the year ahead, they

will move to 500,000 hectares and from there on they're self-sufficient. They will have an export capability just a hop, skip and a jump away from now.

Question: Mr. MacDonald, what do you perceive in the way of de-Americanization of the economy along the lines of the talk of de-Americanization of the military effort in view of the Paris peace talks?

Answer: Well, in our case, in the case of USAID, it's not so much a matter of de-Americanization, because in a very real sense, Gentlemen, we are not here to do things, to carry out programs, we are here to advise the Vietnamese, to give them the technical assistance that they require and to support them in every way. As their performance demonstrates their capability to get along on their own without advisors--and this is the purpose of each of our projects--we withdraw our advisors. We try to be quite specific in our management of our assistance and of our personnel. We try to set time schedules for ourselves, that we need seven men on this project for two and a half years and if in two and a half years the job's not been done, something's gone wrong.

To be specific in answer to your question, because of increasing performance in 1967 and despite the trauma of Tet, I felt it possible to reduce by 300 positions the USAID staff. Many of those were logisticians who had been here to help in the build up of the infrastructure. But most of them were advisors of one sort or another. To give you an example, I cut my agriculture staff from 184 positions down to 110 positions and I did that on April the 4th at the very same time and because of the Vietnamese success in its agriculture program. They no longer needed us. I am currently making a similar review and I expect that there will be a further reduction of USAID staff announced in the next two or three weeks when I've had an opportunity to do this carefully. I would add to you, I saw a piece in the paper yesterday or today mentioning growing concern that we are going to be dropping large numbers of Vietnamese from our roles. Yes, I am reviewing the size of our local Vietnamese

staff, very seriously. I talked to you about the pressure on the economy, on the civil service, I talked to you about the drain away from the civil service with the mobilization program, and I want to be certain that USAID has no more Vietnamese employees than it absolutely needs. They are in great demand, these skilled people, and if I can do without them, I certainly shall.

Question: Did you say that the reduction in the rice subsidy was inflationary or was not inflationary?

Answer: Well, it's curiously I suppose both. At least the economists tell me it's not both but to an old layman like myself, it certainly seems both. The direct result of reducing the subsidy on rice is that it costs more to the Vietnamese who buys it in the market, and that's inflation in the sense that prices have gone up. On the other hand, it sometimes takes a little bit of belt tightening; this is in a sense a form of tax, a way of taxing people in the city who are fully employed, whose wives are working, who do have very substantial purchasing power. And it's a way to reduce deficit financing of the government which would have to pay for this subsidy, in effect, by printing money.

Question: You mentioned a figure earlier of close to half billion dollars total USAID spending in country?

Answer: Yes, \$495 million. Obligations in this year...

Question: Of that figure, what would be the dollar loss this year, a rough estimate from all causes on everything brought in?

Answer: I'm not sure I can profitably help you on that... The 1.14 percent loss on \$115 million worth of food... I'll be happy to ask Mr. Ostrander to give you the component breakdown on our project programs since the arithmetic on how much might be lost is too complicated to figure on the spot. But let me make just one more point. The performance on commodity control in USAID/Vietnam... there is no world-

wide study here but I am quite confident that it exceeds the performance anywhere in the world at the present time. I would suggest to you, too, that these losses, whether they be losses of goods from public or private funds in the port of Saigon, are considerably lower than those one might find in the port of New York or perhaps even San Francisco.

Question: How many personnel do USAID and CORDS have on board?

Answer: As you know USAID has the responsibility to provide resources for CORDS programs as well as for those which it carries out itself. The figures I'll give you will be inclusive of that contribution we make. I believe we have on board about 1970 direct hire Americans. Mr. Ostrander can give you the exact figures this afternoon. Of those, 996 are under CORDS operational command and the remaining 1,000 are under my operational command. In addition to those, we have I believe 340 third country technicians, the bulk of whom are under CORDS operational command; I have in mind the large group of Philippine employees who have been engaged on the up-country refugee program. In addition, we have about 2,400 local employees of all sorts from trained professionals to drivers, warehousemen, stevedores.

Question: How do the current figures compare with a year ago?

Answer: Well, '67 figures are in the back of my mind. I believe we had about 2100 Americans. We were building up at that time. And a couple of hundred more local employees. Those of you who are interested precision here please get in touch with Mr. Ostrander.

Question: What exactly are the improved means that you have for controlling port losses?

Answer: Well, there are first of all the conditions of the port are important. The port was in a chaotic condition in 1966 and this did not come as a surprise to anyone. You will recall the port of Saigon was built 40 years ago to handle

a maximum capacity of one and a half million metric tons a year. And that when the war increased its intensity, we all knew that it was going to have to take not a million and a half but over five million metric tons. So, it was clear we were going to have difficulty for a few months as all these commodities converged. There is no chaos in the port. Its capacity has been expanded and there are warehouses in which goods can be put in an orderly fashion. We've developed systems that then helped the Vietnamese develop systems in warehouse stock controls. We don't have the 1700 barges filled with commodities as they had to be two and a half years ago because there weren't warehouses into which to put them. So the general physical conditions and the administrative capacity of those in charge of the port has improved thousands-fold, and there is no opportunity for inadvertent loss. In addition, I have a battery of internal USAID checks and controls. We have, as many of you know, a large customs advisory group in the port, advising the Vietnamese customs. We have an automatic data processing system that is going on a computer, even as I talk, to enable me to trace an individual package. There's been a variety of modern management methods, nothing unusual, nothing radical, just modern management being applied.

Question: Has any American employee during the course of the year been fired or forced to leave the country for bribery or black market deals?

Answer: Occasionally, in a staff this large, we come upon irregular practices by our people, people who trade in the money black market. And when we discover that this is the case, they leave within 24 hours usually--unless there is a very desperate situation they have and we extend it to 48 hours.

Question: How many are there in a year?

Answer: Oh, I would say less than a dozen out of these 2,000.