MILITARY AND ECONOMIC AID TO INDOCHINA

An Analysis of the FY 1975 Request to the Congress

Indochina Resource Center/NARMIC

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May 1974

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FOREWORD

This year, Congress has an excellent opportunity to help bring peace to Indochina. For the first time in a decade, American ground and air forces are not fighting there. For the first time in a generation, all sides in both Laos and Vietnam have agreed on blueprints for peace, the Paris and Vientiane Agreements of 1973.

Congress has played a crucial part in these developments. Its opposition to the Christmas bombing in 1972 was a factor in the Administration's decision to sign the Paris Agreement a month later. In the spirit of the Agreement, Congress halted the bombing of Cambodia in August, 1973 and passed legislation aimed at ending support of Vietnamese police and prisons in December, 1973. And in March of this year, Congress rejected the Administration's request for $474 million in supplemental military aid for the Saigon government.

These actions have saved countless lives in Indochina. In addition, they have made available millions of dollars for human needs at home.

Now the Nixon Administration's FY 1975 request for military and economic aid to Indochina presents Congress with a choice of whether or not to continue this progress. To state the matter frankly, we believe that Congress must choose between subsidizing narrow-based, military governments in Saigon and Phnom Penh and helping to restore peace in Southeast Asia. The actions of these governments during the last year have made it clear that political settlements are unlikely as long as American arms and resources offer them the option to fight.

The analysis and findings presented here are a joint effort of the Indochina Resource Center and NARMIC, a project of the American Friends Service Committee.

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U.S. EXPENDITURES FOR INDOCHINA IN FY 1975

SUMMARY

War is still the overwhelming fact of life in Indochina today. In Cambodia, the last year's fighting has driven 500,000 people from their homes.[1] In Vietnam, despite the hopeful prospects of the Paris Agreement, nearly one million people have been killed, wounded or made refugees since the beginning of 1973. And the threat of an even larger conflict looms in the future unless the Saigon government alters its policy and accepts the political resolution provided by the Paris Agreement.

Along with the threat of renewed, all-out fighting goes the danger of direct U.S. military reintervention. Despite the consensus at home for withdrawal from Southeast Asia, resumption of American involvement is not at all inconceivable. Even now, the U.S. remains deeply committed to the Saigon and Phnom Penh governments, providing over 85 percent of their operating costs.[2] By supplying these governments with all their armaments, with military technicians and operational support, the U.S. is indirectly involved in the fighting. In addition, the U.S. maintains a substantial presence in Thailand to fly reconnaissance missions, supply spare parts, and remain ready to resume combat operations at a moment's notice.

War in Indochina has brought the economies of Saigon and Phnom Penh to near collapse. They are unable to meet the basic needs of their people as rampant inflation and massive unemployment have brought thousands of people to the brink of starvation. Prolonged fighting in these countries will only continue the misery of Indochina's war-weary people.

The Administration's proposed $3.671 billion Indochina aid program for FY 1975--13 percent more than the amount programmed in FY 1974--will continue to underwrite war. This current aid request can be broken down as follows:

FY 1975 INDOCHINA AID PROPOSAL: $3.671 BILLION TOTAL
(Programs in quotation marks below as given by Administration; in millions of dollars)

I.	MILITARY EXPENDITURES	$2,513.0	69%
	A. SOUTH VIETNAM: "MASF"	1,600.0	
	B. CAMBODIA: "MAP"	363.75	
	C. LAOS: "MAP"	86.1	
	D. "Incremental Cost of U.S. Forces" for Indochina	463.0	
II.	WAR-RELATED "ECONOMIC ASSISTANCE"	714.9	19%
	A. SOUTH VIETNAM		
	1. "Food For Peace"	160.6	
	2. Commodity Support:		
	"Food & Nutrition"	185.0	
	"Indus. Productn."	155.0	
	"Transp. & Misc."	47.3	
	B. CAMBODIA		
	1. "Food For Peace"	77.0	
	2. "Commodity Imports"	71.0	
	3. "Multilateral Stabilization"	17.5	
	4. "Technical Support"	1.5	
III.	"RECONSTRUCTION & DEVELOPMENT"	267.6	7%
	A. SOUTH VIETNAM	227.7	
	B. LAOS		
	1. "Reconstruction & Dev't."	22.4	
	2. "Stabilization"	17.5	
IV.	"HUMANITARIAN ASSISTANCE"	173.7	5%
	A. SOUTH VIETNAM	135.0	
	B. CAMBODIA	20.0	
	C. LAOS		
	1. "Humanitarian Aid"	16.2	
	2. "Food For Peace"	2.5	

SOURCES: AID Presentation Titles, pp. 5, 51, 59; AID Summary, pp. 7, 8, 9; FY 1975 Submission to Congress--Summary, April 1974.

As shown in this table, the proposed expenditures have two main elements: 1) Direct support for the war efforts in Cambodia and South Vietnam, and 2) Support for the stabilization of the war economies of the two countries. These

direct and indirect war-related categories account for 88 percent of the total Administration's request Only 10 percent of the total budget is available for reconstruction and development and humanitarian aid. Even this aid has little chance of succeeding due to the continuing war and associated deterioration of economic conditions.

So long as war continues in South Vietnam, funds for reconstruction and development will be used primarily for wartime economic stabilization. In Laos, however, the fighting has stopped and a coalition government formed, so it is assumed that non-partisan reconstruction and development can proceed.

In South Vietnam and Cambodia, most "humanitarian" aid will be spent for refugee programs having strategic political and military purposes. Only the programs for health and child care can be considered humanitarian in South Vietnam. Programs in Laos may be genuinely humanitarian if approved and administered by the Provisional Government of National Unity.

Taking these considerations into account, it appears that only 2 percent of the Administration's proposal is for actual humanitarian or reconstructive purposes.

SOUTH VIETNAM

Heavy fighting continues in South Vietnam as President Thieu refuses to order a ceasefire (Article 3 of Paris Agreement) and to demarcate zones of control (Ceasefire Protocol). The military situation remains highly unstable and may escalate to all-out war if Thieu continues to prevent a political settlement.

The economic crisis stems from the continuing state of war which has 1) dislocated rural populations, 2) taken 25 percent of the labor force out of gainful employment,[3] and 3) perpetuated a costly 1.2 million-man military and police apparatus.

Saigon's economic problems are not caused by inadequate levels of imports as AID claims. Even in constant dollar values, present import levels are at [illegible] per capita [illegible] as compared with $21 in 1964.[4] Rather, the crisis is due to the severe structural distortions in the economy which is being kept from complete collapse by U.S. aid. The U.S. taxpayer underwrites 86 percent of the costs of keeping Thieu's administration in power.

We propose that any future appropriations for aid to Saigon, other than humanitarian aid, be conditional on compliance by the RVN with the provisions of the Paris Agreement.

CAMBODIA

President Lon Nol's government now controls little more than Phnom Penh and a few provincial capitals and has lost the support of even the small urban elite in Phnom Penh. The economy in the area controlled by the Phnom Penh government is disintegrating and is totally dependent on the U.S. for its everyday requirements.

A ceasefire appears unlikely because the Khmer Rouge, which controls most of the country, considers the collapse of the Phnon Penh government inevitable. The unpopular government survives because of massive U.S. military support.

As a result of the continuing war, a vast number of refugees are now concentrated in urban centers. These refugees need humanitarian aid, but the structure and corruption of the Phnom Penh government prevents U.S. aid from reaching those in need. The most humanitarian measure would be to stop funding the continuing war in Cambodia.

LAOS

Recent events in Laos demonstrate that even after years of bitter war, peace and reconciliation are possible if the local parties are allowed to make their own settlement. The two Laotian parties, the Vientiane government and the Patriotic Lao Forces (Pathet Lao) have agreed on the formation of three new governmental structures in accordance with the February 21, 1973 Agreement on Restoring Peace and Achieving National Concord in Laos and the September 14,

1973 Protocol.

To contribute to a durable peace in Laos, Congress should authorize and approve only that assistance which is in strict conformity with the Laotian agreements. Thus U.S. aid should be provided only at the request of all the parties within the Provisional Government of National Union, the body mandated to determine the form of foreign aid under Article 7 of the February Agreement.

South Vietnam

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SOUTH VIETNAM

PROGRAM SUMMARY (in millions of dollars)	FY 1973 Actual	FY 1974 Estimated	FY 1975 Proposed
U.S. Military Assistance	2168.0	1121	1600.0
Indochina Postwar Reconstruction	312.3	350*	750.0
Food for Peace	179.0	309**	183.1**
TOTAL AID	2559.3	1780	2533.1

*Excludes a proposed $54 million supplemental appropriation & an additional $50 million Development Loan under consideration.
**GAO report, Congressional Record, 3/28/74, p. E-1917.

OBJECTIVES OF U.S. ASSISTANCE

In light of the Paris Agreement on Ending the War and Restoring Peace in Vietnam and the deep desire of the Vietnamese and American people to end the fighting and American involvement in the Vietnamese conflict, the immediate objective of future American aid to South Vietnam should be:

-- to contribute to an immediate end to the fighting and the beginning of a process of reconciliation leading to a political settlement.

-- to help South Vietnam move in the immediate future from a wartime economy to a peacetime economy, and from economic dependence to economic independence;

-- to continue to provide genuinely humanitarian assistance to alleviate the suffering caused by the war.

INTRODUCTION

In its FY 1975 Congressional Presentation for Vietnam, the A.I.D. does not once mention the Paris Agreement which had been so widely hailed at its signing in 1973. The Paris Agreement is a legal document whose detailed provisions offer the only possible way of moving the conflict from the battlefield to the ballot box. To ignore the vital significance of the Agreement in laying the foundation for a stable solution is to seriously distort the prospects for peace in Vietnam today.

The A.I.D. request takes little note of the military and political situation in South Vietnam; its focus is on remedying the continuing ills of Saigon's economy. But the economy itself is built upon war, and its problems stem from an almost total dependence upon American dollars as a result of Thieu's failure to win the loyalty of his own people.

And perhaps most important, the Administration's proposal offers no hint of the key role that U.S. aid programs play in enabling the Thieu government to subvert the Paris Agreement. The following analysis attempts to examine the Administration's FY 1975 aid requests in the context of the Paris Agreement and the military, political and economic situation in Vietnam today.

SITUATION IN CY 1973

1. The Paris Agreement

The signing of the Paris Agreement on Ending the War and Restoring Peace in Vietnam on January 27, 1973 was the most important development affecting the Vietnam conflict and American involvement in it in many years. It was a compromise between the North Vietnamese negotiators and the U.S. which was designed to end U.S. military involvement in Vietnam and to shift the conflict from a military to a political level.

The main provisions of the Agreement relating to South Vietnam's internal problems were: first, a standstill

ceasefire and the demarcation of zones of control by the two sides; second, the restoration of democratic freedoms in each zone of control, in order that all political forces could have an equal chance of competing in future elections; third, freedom of movement and commerce between the two zones; fourth, the release of all civilian political detainees; fifth, the formation of a National Council of National Reconciliation and Concord, to include representatives of the Republic of Vietnam (RVN), the Provisional Revolutionary Government (PRG), and also the neutral "Third Segment"; and sixth, negotiations between the South Vietnamese parties for the settlement of all internal matters, including an agreement on national elections.[1]

Although the terms of the Agreement were a compromise, they were nevertheless regarded by all Vietnamese parties as being generally favorable to the PRG's interests and unfavorable to Thieu's. Full implementation of the Agreement was expected by most observers to result in the erosion of Thieu's political monopoly in the RVN zone of control. For example, the provision calling for meetings in the field between officers of opposing sides was expected to accelerate local accomodations and weaken ARVN's control over its own soldiers. Free movement would allow the huge refugee population to return to their homes in PRG and contested areas. And the Agreement's implicit recognition of three political tendencies, two administrations and two zones of control, each having equal legitimacy in the resolution of South Vietnam's internal political problems, challenged Thieu's claim to be the sole legitimate authority over all of South Vietnam. Most observers felt that Thieu, who was much stronger militarily than he was politically, would have preferred to avoid a political contest with the PRG.

2. Saigon's Policy Toward the Agreement.

President Thieu's attitude toward the Paris Agreement has been unreservedly hostile from the beginning.[2] The RVN not only failed to broadcast the full text, but circulated instead a highly distorted version of the Agreement to middle and lower-ranking cadres of the government bureaucracy;[3] it also denied permission for publication of the text by private individuals.[4]

Militarily, Thieu went on the offensive from the moment the ceasefire was to go into effect. His aim was not only to recapture villages and strategic points lost in the fighting of the previous two or three days, but also to recapture areas lost during the 1973 offensive and even those long controlled by the PRG. According to one American official interviewed by the Washington Post, ARVN recaptured some 350 hamlets that had been occupied by PRG forces before the ceasefire deadline.[5] In violation of Article 2 of the protocol on the ceasefire, ARVN troops moved into areas which were either contested or already under PRG control at the time of the ceasefire and built new permanent military outposts, particularly in areas they had abandoned during 1972. For example, in the months after the Agreement was signed, newly built ARVN bases dotted the area all along Route 4 between My Tho and Vinh Long.[6] The U.S. Defense Attaché Office admitted to staff investigators for the Senate Foreign Relations Committee in April 1973 that after the first weeks of post-ceasefire fighting, the Saigon army had "initiated several operations to expand areas of control, to which the enemy reacted strongly."[7] Some of the areas where these operations took place have seen continuous fighting during 1973 and 1974.

Significantly, RVN negotiators in the Joint Military Commission, which took responsibility for the demarcation of zones of control, declared that they would recognize only a given perimeter around a fixed military post as an area of PRG control. Since PRG forces had never built fixed military posts (which would have been bombed by Thieu's air force in any case), this meant that the RVN was refusing to recognize that the PRG controlled any territory.

In keeping with its refusal to recognize PRG zones of control, ARVN forces have tried systematically to prevent the building of new roads and to bar traffic from existing communications routes in areas generally agreed by outside observers (including U.S. officials) to be de facto PRG zones. A number of isolated ARVN bases within PRG zones have continued to carry out harrassment and interdiction missions against PRG communications lines. For example,

several ARVN bases north of Kontum have for months been calling in air strikes and firing artillery barrages against a road Communist forces were in the process of building. Finally, in early April, these bases were overrun.[8]

By late 1973, Thieu's efforts appeared to be directed toward provoking Communist military moves which could be used to convince Congress that his regime was under attack. At the beginning of October 1973, Thieu launched a campaign to focus media attention on an alleged plan for a general offensive in early 1974. At the same time, he called for "preemptive attacks" by ARVN units against PRG forces wherever they could be found. During that month Saigon's air force quietly began stepping up its bombardments of populated areas in PRG zone.[9] On January 4, Thieu announced that the war had restarted and vowed to strike at Communist base areas. Shortly thereafter, the Saigon command announced that it was systematically bombing PRG territory.[10]

While intensifying the conflict militarily, Thieu has made every effort to time his charges of major Communist violations to coincide with Congressional hearings on military and economic aid with hopes of getting more money in an atmosphere of anxiety about a Communist offensive. In late April a New York Times correspondent reported that it was "widely believed the (Saigon) government orchestrated the news about the fall of a ranger base called Tong Le Chan--which is reliably reported to have been evacuated in the dead of night--in order to dramatize the North Vietnamese threat."[11] Saigon also chose this occasion to break off political talks with the PRG in Paris and to place severe restrictions on the PRG delegation to the Joint Military Commission, despite the unanimous protests of members of the ICCS.[12]

Thieu's attitude toward the political provisions of the Paris Agreement has also been consistently negative. He refused to restore democratic liberties called for by Article 11, arguing that to do so would allow the PRG to "subvert" his regime.[13] Nor will Thieu admit to the existence of a neutral Third Component which would participate in the tripartite National Council of National Reconciliation.[14] Moreover, Thieu's own edicts call on police and military forces to prevent people from returning to homes outside the RVN zone of control, and Vietnamese continue to be arrested on charges of trading with the PRG -- all in violation of Article 11 guaranteeing freedom of movement and commerce.[15]

3. The PRG's Policy toward the Agreement.

Since the PRG and their North Vietnamese allies have regarded the provisions of the Agreement as being in their interest, it is not surprising that Western correspondents who visited PRG areas have noted that the full text of the Agreement is widely disseminated and discussed.[16] Considerable evidence, including captured internal Communist orders, indicates that the PRG and its allies were willing to abide by the standstill ceasefire and demarcation of zones when the Agreement was signed and are still interested in having such a ceasefire work.[17] One directive, in effect at the time of the Agreement signing in January 1973, unconditionally ruled out any offensive operations during the first 60 days of the ceasefire and forbade all reprisals against Saigon government officials.[18] Another secret directive from the top Communist organization in South Vietnam called on cadres to mobilize a political struggle to "create basic conditions to guarantee the implementation of the Agreement, maintain peace, and enable the revolution to continue its march forward."[19]

The PRG has responded to Thieu's attempts to expand his areas of control by counterattacking ARVN units and their bases. In October 1973, the military command of the PRG ordered its forces to respond more vigorously to violations by ARVN.[20] But both public orders and internal documents captured by Saigon indicated that Communist units were told not to attack without provocation and to continue to maintain the structure of the Agreement.[21]

Saigon's charges of unprovoked Communist attacks have proven false when non-partisan observers have been on the

scene to report the facts. Two cases in point occurred in October 1973, when President Thieu was claiming major violations by the PRG. First, on October 2 Saigon spokesmen announced that a regiment of Communist troops had assaulted two ARVN battalions northeast of Thanh Duc. But a New York Times correspondent spoke to ARVN soldiers involved in the action who admitted that their side had started the fighting.[22] A similar case took place ten days later. On October 12, Saigon charged a major ceasefire violation when Communist troops forced the ARVN to withdraw from Bach Ma outpost in Thua Thien province. However, a check with official U.S. sources revealed that the ARVN had established the outpost after the ceasefire in order to expand Saigon's territory.[23] Thus, the other side's "unprovoked attack" was actually a response to an earlier violation by the ARVN.

4. Negotiating Position of the Two Sides.

The negotiating positions taken by the two sides, both in the Joint Military Commission as well as the political talks in Paris, are a good indication of their willingness to carry out the terms of the Paris Agreement. The PRG has made a complete standstill ceasefire the first condition for any substantive progress in reaching a political solution. Saigon's latest proposal is to prohibit the use of mortars, rockets, mines and individual acts of terrorism. The proposal says nothing, however, about continuing air and ground attacks.

In March 1974, the PRG submitted a six-point plan which reiterated the key provisions of the Paris Agreement. It called for: (1)both South Vietnamese parties to publicly issue identically-worded ceasefire orders (Article 2); (2) return of all political prisoners and captured personnel within three months or by June 30, 1974 (Article 8c); (3) immediate establishment of democratic liberties (Article 11); (4) immediate formation of the National Council of National Reconciliation and Concord, with each of the three segments choosing its own representatives (Article 12); (5) free and democratic elections no later than a year after the formation of the National Council of National Reconciliation and Concord (Articles 9 and 12); and (6) negotiated mutual reduction of armed forces (Article 13).[24]

Although American officials called the proposal substantive, the Saigon government rejected it immediately, saying that the PRG had no intention of living up to its declarations.[25] If that were the case, President Thieu ought to have called the PRG's bluff by accepting its plan. Instead, he offered a counter-proposal in which the two sides would set up working groups for detailed negotiations on four main areas: restoration of democratic liberties, establishment of the National Council, national elections and the future of the armed forces on both sides.

The basic difference between the two positions is that the PRG is proposing the immediate implementation of the Paris Agreement, while Saigon is calling for re-negotiation of basic points. For example, the Saigon administration proposed a working group to discuss the restoration of democratic liberties. Article 11 of the Paris Agreement stipulates the immediate and unconditional guarantee of such liberties, yet Saigon wants to place new conditions upon its implementation.

5. Nixon Administration policy toward the Agreement.

The Nixon Administration, while officially declaring its support for the Paris Agreement and its willingness to abide by it, has shown little interest in obtaining Thieu's compliance with its provisions, including the ceasefire. Dr. Kissinger, on a television interview a few weeks after the Agreement was signed, indicated he was not worried about reported ceasefire violations, because, "After all, how are the two sides going to establish their areas of control except by testing each other?"[26] This official attitude undercut the Joint Military Commission's appeal to both sides to observe the ceasefire scrupulously.

The Administration is well aware that its military and economic aid plays a key role in determining Thieu's

policies. The Pentagon continues to finance all of Saigon's military fuel consumption, supplies all of Saigon's ammunition requirements, and hires U.S. corporations to provide logistic support, run military bases and keep Saigon's planes tuned for battle.[27] Without this backbone of American aid, Thieu could neither continue fighting nor resist pressure to abide by the Agreement.

So far, the Administration has been unwilling to use its leverage over Saigon to insure compliance with the Agreement. Dr. Kissinger appears to assume that his policy of detente with the Soviet Union and China is sufficient insurance against any North Vietnamese/PRG offensive.[28] But the assumption that the socialist powers would or could restrain their Vietnamese friends indefinitely while the U.S. does nothing to bring about a ceasefire and political settlement by its own ally seems imprudent, at best. In 1972, the North Vietnamese and the PRG launched a massive offensive in spite of strenuous efforts on the part of the Nixon Administration to persuade the Russians and the Chinese against supporting such an offensive. And today, there is no assurance that the North Vietnamese and the PRG will not return to that option if Thieu persists in ruling out a political settlement as outlined in the Paris Agreement. According to U.S. intelligence sources, Thieu's opponents already constitute a formidable military force in the South.

The Paris Agreement provides a formula for ending the Vietnam war without a final military confrontation and without betraying American commitments or honor. It is clearly in the American interest to see such a peaceful political settlement carried out. Thieu's interest in perpetuating war and blocking a peaceful settlement should not be allowed to stand in the way.

CURRENT ECONOMIC SITUATION

Saigon is in the midst of its most severe economic crisis. Inflation continues to mount in a stagnating economy. A.I.D.'s own statistics show that retail prices rose 65 percent in 1973, as compared with 26 percent in 1972.[29] At the same time, World Bank economists have noted that Gross Domestic Production (GDP) has remained practically unchanged since 1960 and industry has "continued to do rather poorly."[30] And in the past two years the piaster has been devalued no less than twenty-five times.[31]

A.I.D. blames Saigon's economic troubles on "circumstances over which it has no control,"[32] such as the increase in commodity prices on the world market. But a closer look at the structure of Saigon's economy reveals the superficiality of A.I.D.'s analysis. Economic experts at the World Bank, for example, stress the severe structural distortions of the RVN economy which must be resolved before reconstruction and development can take place. The continuing war has crippled real domestic production and eliminated a large part of the labor force. Millions of farmers have been driven from their homes by the fighting and are now refugees without adequate means of subsistence.[33] Not enough jobs are available for a swelling urban population, and the number of unemployed is estimated at 3.5 million.[34] Another 1.2 million people have effectively been withdrawn from productive employment because they are now serving in the army and national police, making South Vietnam's armed forces the fourth largest in the world.[35] Thus, World Bank experts conclude that "the major problem lies in the structure of Government expenditures. Today, about two-thirds of total Government outlays and roughly 25 percent of GDP are spent for security (i.e. police and military) purposes."[36]

The burden of financing Thieu's security apparatus is borne by American taxpayers, who currently provide over 86 percent of RVN's total operating costs.[37] A study for the World Bank notes that the objective of foreign aid has been to enable Saigon to continue waging war "in the face of grossly inadequate domestic resources."[38]

To offset a decline in domestic production, commodities financed with U.S. aid have been imported into South Vietnam on a massive scale. These imports generate counterpart funds for the Saigon government budget and have helped to maintain a high standard of living for a small sector of the Saigon population. U.S. and Saigon officials fear that a reduction in aid would create widespread disaffection among the Vietnamese and thus endanger the war effort. "I don't think the government feels it is strong enough to ask the people to pull in their belts. It's just not popular enough," noted Willard Sharpe, the head of A.I.D.'s economic analysis branch in Saigon in 1971.[39]

Today concern for America's own economic troubles threatens to prevent A.I.D. from continuing the strategy of using U.S. taxes to purchase Vietnamese loyalty. Forced to set more modest goals for its economic aid program, A.I.D. now begs for funds "just to keep Vietnam's economy going" and to supply "Vietnam's minimum needs for essential imports."[40] Nonetheless, to carry out these modest goals, A.I.D. is asking for more money for FY 1975 -- $750 million -- than it received during any of the years of intensified war.

Massive doses of economic aid have thus far failed to check rampant inflation in South Vietnam, and for good reason. Until Saigon can overcome the severe structural distortions in its economy, the most that U.S. aid can accomplish is temporary postponement of Saigon's total economic collapse.

Economic conditions in South Vietnam each day become more desperate. Hunger and famine is widespread, especially in the northern provinces of Thua Thien, Quang Nam, Quang Ngai, and Quang Tin, where deaths from starvation have been reported.[41] According to Caritas, the Catholic relief agency, over 233,000 people in Thua Thien province are surviving on one daily meal of rice gruel mixed with roots and greens.[42] Deputies from Central Vietnam report that many people are now forced to eat wild greens, banana roots and cacti because they cannot afford rice.[43] There is grave danger that epidemics in May and June may take a heavy toll on thousands of Vietnamese who are already weakened from malnutrition.

The Director of the National Foodstuffs Office in Saigon has denied reports that there is a rice shortage in the northern provinces.[44] Statistics provided by Saigon's Agriculture Department show that total domestic rice production is more than adequate to feed South Vietnam's population.[45] In fact, RVN's Minister of Agriculture has announced plans to export 50,000 metric tons of rice in 1974.[46]

Saigon officials say that people are hungry because they do not have enough money to buy rice.[47] The officials do not add that local merchants, in collusion with government officials, have been hoarding rice and jacking up prices to increase their profit margin. In 1973 the price of rice doubled and continues to rise.[48] In short, uprooted peasants in Central Vietnam are being forced to bear the consequences of Saigon's misplaced priorities and corruption.

One solution to this problem would be for President Thieu to allow freedom of movement, guaranteed in Article 11 of the Paris Agreement, so that people who are now hungry could return to their homes and begin to farm their land. Within a few months, they would be able to harvest a crop and have enough to eat. But Thieu has been unwilling to let this happen because it would require him to abandon his control over millions of refugees whose homes may be in PRG zones.

In spite of massive inflation, stagnation and corruption, A.I.D. continues to act on the assumption that there is nothing fundamentally wrong with the structure of RVN's economy. To coax Congress into appropriating $750 million in economic aid for FY 1975, A.I.D. offers assurances that despite its economic difficulties, RVN can now make rapid progress towards economic development and self-sufficiency: "A relatively high aid level will permit investments large enough to generate a chain reaction of self-sustaining growth."[49]

A.I.D.'s promise that U.S. assistance could be phased out in five years time is contradicted by the findings of the January World Bank report. Using Saigon's most optimistic

projections of a fantastically high growth rate of exports (25 to 30 percent annually) -- while the economy is simultaneously beset by stagnation and inflation -- World Bank experts calculate that total economic aid needed in 1980 would be on the order of $770 million a year, and that by 1990 Saigon would still require between $300 to $450 million a year.[50] Looking beyond 1990, they find that Saigon will continue to remain highly dependent on foreign aid.[51]

It should be noted that both A.I.D.'s and the World Bank's estimates of future aid levels are based on the questionable assumption that the fighting will not escalate beyond its present level. No serious analyst of Vietnamese affairs would offer an assurance that the fighting will not intensify in the next five years, especially given the RVN's unwillingness to implement the Paris Agreement.

In short, A.I.D.'s own projections imply that there is no realistic end in sight for U.S. economic aid to South Vietnam. This is not surprising, considering that Saigon's economy depends entirely on foreign aid just to remain afloat. Economic production is negligible because most of the labor force is either unemployed or in jail, refugee camps, the army, or the bloated government bureaucracy.[52] Human misery is increasing while Saigon spends most of its funds for "security" purposes. So long as Saigon's economy is based upon war, no serious effort toward reconstruction and development can be undertaken and U.S. aid, no matter how lavish the supply, can only serve to perpetuate dependency and stagnation.

PROPOSED FY 1975 PROGRAM

Because the Saigon government has refused to implement the ceasefire, South Vietnam has seen little progress toward peace. American aid, insofar as it provides weapons, ammunition, and the means by which Thieu maintains his war economy, directly perpetuates the conflict and subverts the only hopeful vehicle for peace, the Paris Agreement. The main goals of American aid should be to promote the prospects for reconciliation and reconstruction in South Vietnam. Until the fighting stops, however, these goals will be difficult if not impossible to achieve.

In order to provide the minimum conditions necessary to achieve peaceful reconciliation, Thieu must abide by the Paris Agreement. He has little incentive to do so as long as American aid continues to underwrite his war policies. We recommend that Congress delay the commitment of any further economic or military funds to South Vietnam, except for basic humanitarian assistance, until Thieu begins to observe the accords. At the very least, the Saigon government must take the following actions:

1) end the offensive operations of its ground troops, artillery, and air force;

2) agree to demarcate firm zones of control and abandon the position that the RPG does not control land except within the perimeter of fixed military posts;

3) agree to broadcast full ceasefire orders and to allow officers to negotiate to prevent further military clashes;

4) end restrictions on democratic freedoms so that people of all political persuasions can move freely and compete on equal terms in future elections.

These steps could be quickly carried out once Thieu decided to do so. A Congressional delegation could then be invited to determine whether these fundamental provisions of the Agreement are being respected. If the Congressional findings indicate rapid progress toward a political settlement, then both economic and military aid programs can be reconsidered in the new setting.

This proposal would provide Thieu with ample incentive to comply with the Peace Agreement. Since his chances of political survival would be quite limited without American aid, it is far more likely that he would agree to political competition or at least initiate moves in that direction. There is good reason to believe that the PRG would respond with equivalent good faith, and that the conflict could be trans-

ferred to the political arena. The PRG has repeatedly expressed its desire to strictly implement both the military and political provisions of the accords; until now their intentions have not been tested. If the test succeeds, the South Vietnamese could for the first time have a stable ceasefire and the prospect of a return to a normal peacetime economy.

It should be clear that this proposal does not mean that the U.S. is reneging on commitments made to an ally. The Paris Agreement put an end to unconditional U.S. support for the Thieu regime, since it requires the U.S. not to intervene in behalf of one side against another. Our obligation, as the Washington Post expressed it in an editorial on May 6, 1974, "is not to Saigon but to the process of reconciliation."

POST-WAR RECONSTRUCTION ASSISTANCE

Last year, A.I.D. changed the name of its Indochina aid program from Security Supporting Assistance to Indochina Postwar Reconstruction Assistance. The Administration presented its request for economic assistance to South Vietnam as "essential both to help in the transition from war to peace and to meet the human needs of the people." One A.I.D. spokesman even went so far as to say that the Commercial Import Program, which made up over half of the total request and had always been "needed during the war to sustain the war effort," was now "needed to support development."

This year, the charade of shifting to "Postwar Reconstruction" from a wartime economic stabilization program has been carried a step further. A.I.D. declares that it has abandoned its old objective of "stabilization" and now supports only "relief and reconstruction" and "humanitarian assistance."

In keeping with its claimed shift in priorities, A.I.D. has asked for a substantial increase in funds for refugee relief and development. But because Thieu refuses to allow freedom of movement as called for in the Paris Agreement, the refugee programs serve primarily a strategic political purpose. The reconstruction and development program is merely short-term economic aid to try to relieve South Vietnam's grave economic crisis resulting from the continuing war. Until the fighting stops, no real development can take place.

What used to be called the Commercial Import Program has now been divided up into three separate categories of commodity support. Although the names have been changed, the purpose of the program remains primarily the same. Commodity support performs an economic stabilization function in a war economy extraordinarily dependent on external resources for its very survival. Moreover, the sale of these commodities in South Vietnam generates a large amount of piasters which can then be channelled into Saigon's military budget.

Except for the child care and health care programs, we recommend that the entire "Postwar Reconstruction" program be deferred until the Thieu regime is on the way toward permitting a political solution to the conflict. This is the only way to guarantee that the U.S. will not be "stabilizing" the Vietnamese economy indefinitely.

HUMANITARIAN ASSISTANCE
(in millions of dollars)

	FY 74 Request	FY 75 Request
Refugee Relief	77	86.5
(Return to Village)	(30)	(15)
(Resettlement)	(20)	(56)
(In-Camp Relief & War Victims Compensation)	(25)	(3.4)
City to Farm Program	-0-	30
Child Care	2.5	8.2
Health Care	5.5	10.3
TOTAL	85.0	135.0

In its FY 1974 Foreign Assistance authorization legislation, Congress stipulated that aid to Indochina must be "especially humanitarian assistance to refugees, civilian war casualties,

and other persons disadvantaged by hostilities or conditions related to those hostilities." Thus, the clear intent of Congress was to place priority upon meeting the humanitarian needs of refugees and war victims. If this mandate is to be fulfilled, Congress must determine whether these programs as they are now implemented in South Vietnam are actually used for humanitarian relief or for political and military objectives. In particular, the Administration's FY 1975 requests for humanitarian aid must be examined in light of the Paris Agreement.

REFUGEE RELIEF

Because the Paris Agreement has not brought a ceasefire, millions of refugees are still crowded into cities or in shanties along the highways and in refugee camps. An estimated 818,000 additional refugees fled the continued fighting in 1973 according to the Senate Subcommittee on Refugees.[1] Each year, funds for refugees have been the largest single item of what A.I.D. calls its "humanitarian" aid projects.

In a South Vietnam at peace, most refugees would unquestionably choose to return to the homes of their ancestors. Most refugees are poor and hungry, and conditions of severe food shortages are widespread. Returning to farm their own land is the only way many refugees can provide for themselves and their own families.

The Paris Peace Agreement contains repeated assurances that refugees will be able to return to their homes. Article 11 states unequivocally that immediately after the ceasefire, the two South Vietnamese parties will ensure the democratic liberties of the people, including freedom of movement and freedom of residence. Article 3 of the Protocol concerning the ceasefire reaffirms these same freedoms.

Nonetheless, the Saigon government has systematically denied freedom of movement and freedom of residence to hundreds of thousands of refugees under its control. Shortly before the ceasefire, President Thieu issued a series of edicts enumerating offenses punishable by immediate arrest, including "urging others to leave /Saigon/Government controlled areas."[2]

1. Return to Village

A report on Plei Towanly village, submitted by a U.S. adviser in Pleiku in 1973, shows how strongly the Saigon government discourages movement into PRG zones. The villagers of Plei Towanly returned on their own to their former homes in PRG territory immediately after the ceasefire. There, with the help of the PRG, they planted a first crop of rice. In August 1973, Saigon forces launched an operation called "Hoa Binh" or "Peace;" they "liberated" the villagers from their newly-reclaimed homes, confiscated the rice for themselves, and moved the villagers to a nearby Return to Village site.[3]

On-the-scene observers have reported that Return to Village camps have a strategic rather than humanitarian function. Diane Jones of the American Friends Service Committee visited a number of Return to Village sites in early 1974 and reported to the Senate Appropriations Subcommittee on Foreign Operations:

> The conditions I found in the Return to Village camps I visited were appalling. In the first place, despite the name, these camps looked nothing like villages, but like concentration camps, some of them totally surrounded by barbed wire or bamboo stake fences, with tall military watchtowers on the perimeters. We interviewed the village chief of that camp and he acknowledged that the camp residents all wished to go back to their original farm land, but "They cannot," he told us, "because the communists are out there." We asked him why the villagers were brought to such a miserable camp in the first place. His straightforward answer surprised me: "The reasons for setting up this camp were more strategic than humanitarian," he said.[4]

Thus, Return to Village program does not grant refugees the privilege of returning to their villages. In spite of the Paris Agreement's guarantees of freedom of movement and residence, participants in the program are not returned to their ancestral homes if those homes are in PRG or contested territory. Instead, they are moved into RVN-

controlled camps in the general vicinity of their former villages, or resettled many miles away.[5]

2. Resettlement

According to AID estimates, over 650,000 refugees "unwilling or unable to return to village" are expected to be resettled on new lands in fiscal years 1974 and 1975. This is considerably more than the number of refugees who will take part in the Return to Village program during the same period.

Senator Kennedy's Study Mission on Refugees concluded in January 1974 that "the refugee resettlement program - the moving of refugees into 'marginal' or 'contested' areas - has become a vehicle for Saigon to expand its territory. Despite frequent denials, there is evidence that this is the dual objective of the refugee resettlement program, as it is often administered. People are still pawns of battle."[6]

While AID officials deny to Congress that strategic considerations play a part in the refugee resettlement program, Consul-General Robert L. Walkinshaw, the top U.S. official in Region III where most resettlement is occurring, has suggested to the South Vietnamese Commander for the region that the people moving into Region III would "move into areas that were previously considered marginal, thus secure the area,..."[7]

Although AID denies that coercion is being used in the resettlement program, numerous reports indicate that refugees are sometimes moved against their will. The New York Times reported in August 1973 that around 16,000 people in the Mekong Delta area had been forcibly moved out of their homes to camps where they could be controlled by Saigon.[8] More recently, hundreds of thousands of refugees from Quang Tri province have been moved out of government camps to resettlement areas in the South.[9] Given the choice between remaining in government camps without food allotments and moving to resettlement sites where land and other benefits are promised, many refugees move "willingly."

Once refugees arrive in the resettlement areas, they often find the land promised by the Saigon government is not available. The World Bank economic report of January 1974 admits that Thieu "is finding it difficult to locate secure areas."[10] For example, as of October 17, 1973, adequate farmland was available in only one of the provinces in Region II where refugees had been resettled. In another province, there was no land at all for most of the 24,500 refugees. Even in the one province in the Region where land was reportedly adequate, it had not been cleared to make it tillable.[11] As a result, "resettled" refugees often have little prospect of becoming self-sufficient. Instead, they face the prospect of starvation when the Government's six-month allotment of rice runs out.

3. In-Camp Refugees

According to official figures, some 232,600 refugees remained in Saigon government refugee camps as of January 4, 1974. A Senate study in 1973 found most camps in miserable condition. Since all of these camps are scheduled to be emptied into "resettlement" and "return to village" sites by June 1974, there is little incentive to improve them.

Refugees are crowded into abandoned U.S. military installations, or housed in tiny tin-roofed shacks built of discarded ammunition cases, or in torn and rotting tents. A camp containing one water tap for every 5000 residents and one light bulb for every 150 is considered well-equipped.[12]

Pending relocation, refugees are not allowed to leave the camps without special permission. The chief of Dien Ban district explained the reasons for tight controls: "These people all have relatives in the Vietcong, so the government can have no confidence in them....We have to arrest people from time to time because we suspect they are providing food to the enemy."[13]

4. In-Place War Victims

This program provides monetary compensation to people who

are injured, whose houses are damaged, or whose relatives have been killed by military action.

In the push to empty refugee camps into "return to village" and "resettlement" sites, the RVN is apparently classifying homeless or injured civilians as "in-place victims" rather than as refugees. For example, the government registered only 4000 refugees in Region I since the ceasefire, despite reports of persistent fighting there.[14] Since they are no longer considered refugees, war victims receive fewer benefits from the government.

In any case, many of the refugees and war victims will never receive their full allotments. Refugee assistance is well-known as the U.S. aid program most hard hit by corruption. It is taken for granted that officials at all levels will augment their salaries by taking cuts of the money and materials intended for the refugees. The New York Times reports that one province social welfare chief was relieved of his post after he pressed too vigorously for reforms. His goal was reportedly to reduce corruption to the "normal" level of 10 percent. Refugees in Quang Tri found their allotments so severely reduced by upper-level corruption that they attempted to compensate by claiming extra family members. Officials agreed to close an eye to this low-level cheating, provided they received a share of the extra benefits.[15]

Thus, upon closer examination, the U.S. program of aid to refugees is not a humanitarian program at all, but part of the RVN's broader policy of maintaining physical control over refugees. It is an adjunct to the police controls and military pressures, which prevent the movement of refugees back to their original homes.

What the refugees of South Vietnam need is peace and freedom of movement, not handouts. One Buddhist monk at a Return to Village camp where the people are near starvation told a visiting representative of the American Friends Service Committee: "The only truly humanitarian thing the U.S. Congress can do is to stop the support that keeps these camps in operation." If the aid were stopped, he explained, "the government will be forced to allow them to go back to their homes. They will be hungry for a few months until the first rice crop comes in, then they will be all right."[16]

The Senate Study Mission, after observing American refugee programs in Vietnam in 1973, has concluded: "The ceasefire agreement provides for 'freedom of movement', including the return of refugees to hamlets now controlled by the PRG. Our government should strongly discourage and withdraw any support from programs using the refugees as pawns and 'trojan horses' to expand Saigon's control in contested areas of the countryside."[17] (emphasis added) All U.S. aid for refugee programs should be withheld until Congress is satisfied that the Peace Agreement is being observed by the Saigon government.

CITY to FARM PROGRAM

Shortly before the FY 1975 budget was presented to Congress, the AID Mission in Saigon added a new item called the City to Farm program. Beginning in calendar year 1975, AID plans to spend $30 million to move an estimated 300,000 urban refugees away from cities and back to lands in the countryside. In part, the program was initiated as an attempt to deal with the millions of unemployed Vietnamese swelling the major cities at a time of increasingly desperate economic crisis.

Many urban refugees have already begun on their own to move out of the cities in search of food and livelihoods.[18] The Saigon government, fearful that they will return to PRG areas, is attempting to channel the flow of refugees for its own political purposes.

Despite its new name and funding, the City to Farm program is actually an urban arm of the refugee resettlement program. Indeed, it might more appropriately be titled City to Camp program. Most city dwellers will be sent back to established resettlement camps, where they will receive 6-month housing and food allowances and be subject to the same controls as other resettled refugees. They will, of course, only be allowed to move to territories Thieu claims as his own.

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The City to Farm program is simply another means for the RVN to control the settlement of refugees for its own strategic purposes, in violation of the Paris Agreement. The welfare of South Vietnam's urban refugees would be better served by a restoration of peace and a guarantee of free movement. If refugees are allowed to leave the cities and return to their homes and farms, they will regain their self-sufficiency and drastically reduce the need for U.S. assistance. Like the other aid for refugee programs, all funds for the City to Farm program should be withheld until the RVN begins to implement the Paris Agreement.

CHILD CARE

The problem of child welfare in Vietnam cannot be separated from the problem of refugees, since roughly half of the refugees are children.[19] There are increasing reports of critically malnourished children crowded into refugee camps without adequate care or facilities. An estimated 880,000 orphans and half-orphans have been created by the war, while Saigon's system of orphanages has been acknowledged to be hopelessly inadequate.[20] AID's child care program is aimed at meeting our moral obligation to assist these youngest victims of a war we helped to create.

Like the refugee program, the official purposes of the child welfare program are political as well as humanitarian. In a background memo for the 1973-74 program, AID cited as one goal: "Increased RVN Capability to Deal with Politically Sensitive Welfare Groups Thereby Fostering Governmental Stability."[21] Although its goal is not likely to be met, AID's stated intent to use the child welfare project to strengthen the Saigon government is hardly consistent with Article 4 of the Paris Agreement, in which the U.S. pledged not to intervene in the internal affairs of South Vietnam.

The main problem with AID's program, however, is that it will help only a tiny fraction of the victims. Scarcely 1 percent of this year's entire proposed Post - War Reconstruction budget is allotted to child care. This is a pitifully small contribution, considering the billions we have poured into the war. The Saigon government, still fighting a war and a collapsing economy, also gives negligible support to child welfare.

What the children of South Vietnam need most is peace. So long as the war continues, children will be forced to survive in miserable refugee camps and institutions. Without a change in Saigon's and our own priorities, American aid can do little to improve the overall situation. Although we have strong reservations about certain parts of the program, nevertheless, we support the full request of $8.2 million for child care, which at least alleviates some of the suffering.

HEALTH CARE

One of the worst aspects of American aid programs over the years has been the inadequacy of health assistance to South Vietnam and of the RVN's own efforts in this regard. From 1968 to 1974 the AID public health budget for Vietnam has declined at a much greater rate than other programs.[22] At the same time, conditions in RVN hospitals have deteriorated as a result of corruption, inefficiency, and the continuing toll of war-related casualties.

The FY 1975 request for health care is $10.3 million, only 2.3 percent of the entire Post - War Reconstruction budget which is supposedly oriented toward humanitarian aid. According to AID, the focus of the program has shifted from treatment of war casualties to rehabilitation and preventive care. However, this change in purpose is unrealistic so long as the war continues. The Study Mission of the Kennedy Subcommittee on Refugees reported in 1974 that "The constant flow of casualties requiring emergency medical assistance has also undermined programs for general public health and for longer term rehabilitation."[23]

We recommend funding the entire FY 1975 request for health care, with the observation that $10.3 million is a pitifully small amount considering the billions of dollars we have poured into the war. In the final analysis, however, we feel the only way to solve South Vietnam's health and medical problems is to cease the fighting. One doctor in Vietnam was asked by the Kennedy Study Mission what he

needed most in order to meet the needs of his hospital. He replied: "To end the war - for as long as the war continues we will continue to run, in order just to stand still, in our efforts to provide better medical treatment for the Vietnamese."[24]

RECONSTRUCTION AND DEVELOPMENT
(in millions of dollars)

FY 74 Request	FY 74 Estimated	FY 75 Request
50.0	15.0	227.7

AID has requested a whopping $227.7 million for reconstruction and development so that South Vietnam can "advance as rapidly as possible toward economic self-sufficiency." But as we have already pointed out, (see Current Economic Situation) Saigon's economy is unlikely to become stable or self-sufficient until major structural changes are made. Indeed, as the World Bank study points out, Thieu presently has no operative medium-term economic development plan whatsoever.[25]

Most of AID's request is to go toward capital investment to expand Saigon's industrial base. However, the main problem for South Vietnam's industry is not lack of capital, but its war-distorted economy with high rates of inflation and unstable currency. The refusal of OPIC to guarantee investments in South Vietnam reflects the fact that businessmen still fear the war will re-escalate to the 1972 level of fighting.*

Moreover, the continuing war has severely limited Saigon's prospects for expanding its export industries. While AID heavily emphasizes forestry and fisheries as major export resources, most of the forests in South Vietnam remain either in PRG or contested areas. Similarly, the harsh security restrictions placed on fishermen have threatened the overall health of the fishing industry. Because they cannot fish at night, their catches are hardly enough to live on, let alone export.[26]

*Overseas Private Investment Corporation (OPIC) considers South Vietnam a very high risk area. See: 1974 Senate Foreign Assistance Appropriations Hearings.

The continued fighting also casts doubt upon the wisdom of building any new industrial projects which would be vulnerable to sabotage. For example, a fertilizer plant would be extremely dangerous to the surrounding population if damaged by explosives. A study in Vietnam by the Tennessee Valley Authority several years ago pointed out that a direct rocket hit on a fertilizer storage tank "could be disastrous for all human life within several miles of the complex." It concluded that the desirability of a major ammonia-urea complex in Vietnam such as the one now proposed by AID "prior to the end of hostilities seems highly questionable."[27]

Despite AID's supposed shift away from "economic stabilization" programs, most of its requests for agricultural "development" will clearly be for short-term economic stabilization. The $60 million intended for rural credit is to subsidize the purchase of fertilizer, pesticides, and other imports by farmers who can no longer afford them at world prices. This program is a short-term effort to prevent thousands of farmers from abandoning their land because they don't have enough money to cultivate it. It may head off a major agricultural disaster, but it will do little to resolve the basic economic crisis caused by continuing war.

This program appears, in short, to be another desperate effort to deny that the still unsettled war constitutes a barrier to South Vietnam's economic development. We are not opposed to reconstruction and development as such, but in the present context the primary objective of American aid must be to end the conditions which were responsible for Saigon's economic crisis in the first place. Congress should defer this entire program until the fighting has been brought to an end.

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COMMODITY SUPPORT
(in millions of dollars)

FY 74 Request	FY 75 Request	
Commercial Import Program	Food & Nutrition	$185
$275	Industrial Production	155
	Transportation & Misc.	47.3
		$387.3

In keeping with its official shift of objectives, A.I.D. now claims it has abolished the old Commercial Import Program, which was widely criticized as a program of stabilization of a wartime economy. The program now appears as commodity support for individual sectors. A.I.D. apparently hopes that the financing of virtually all of Saigon's imports will be harder to criticize if it is relabelled as "Food and Nutrition," "Industrial Production," or "Transportation and Miscellaneous."

In fact, the Commercial Import Program has not changed, except in two ways. First, the FY 1975 request for $370 million in imported commodities is $105 million larger than the FY 1974 request. Second, it will be a far more important source of financial support for Thieu's war effort. In recent years, approximately one-fourth of the piasters generated by the CIP has been used for military purposes. Since the Foreign Assistance Act of 1973 prohibits the direct application of P L 480-generated counterpart funds to the military budget, it is certain that a higher percentage of the counterpart funds generated by these commodity sales will be funnelled into Thieu's military budget. The greater importance of commodity imports in financing the RVN military budget -- just when A.I.D. was supposed to shift away from wartime "economic stabilization" to "development" -- may be the reason why A.I.D. took the extraordinary step of dividing up the CIP and giving it several humanitarian-sounding names.

Despite A.I.D.'s cosmetic shift from Commercial Import Program to support for specific sectors, the purpose of economic aid is still primarily wartime financial stabilization. Commodity imports still represent more than half of the total FY 1975 request. We do not oppose the financing of imported commodities so long as the funds are not contributing to the war effort, but funds for the disguised Commercial Import Program will do just that.

FOOD AND NUTRITION

This category is simply one part of the disguised Commercial Import Program, which would finance fertilizer, fuel, and pesticides. As AID has pointed out, the prices of these items on the world market have risen beyond the means of practically all South Vietnamese farmers. Fertilizer prices have increased by 180 percent in a year; gasoline has tripled in price, putting the cost of tractors beyond reach of the farmers as well.

This dramatic increase in price would not be disastrous for South Vietnamese agriculture except for one thing: during the past six years, the U.S. has introduced "miracle rice" strains as a means of producing more rice with less land and fewer laborers. The need for such a shift arose because over a million acres of riceland were abandoned by farmers during the course of the war, and agricultural manpower was further reduced by the mobilization of the population into the military.

So the U.S. substituted a heavily capital-intensive agriculture--which meant a heavily import-dependent agriculture --for a labor-intensive one. Hundreds of thousands of farmers were persuaded to shift to the new high-yield strains of rice, and they thus became dependent on U.S.-financed fertilizer, pesticide and fuel imports. Now that the world prices have skyrocketed, farmers are often finding it impossible to return to traditional methods of cultivation. They had sold their buffalo when they began using tractors and now buffalo are difficult to purchase.

The U.S.-induced crisis of miracle rice illustrates again how U.S. economic policies have dangerously distorted the South Vietnamese economy by organizing it around the war. Nonetheless, AID offers no plans for helping South Vietnam readjust to a more labor-intensive agriculture. On the contrary, AID appears to assume that the present highly militarized and urbanized economy, with its capital-intensive

agriculture, must somehow be made to work. We disagree strongly and recommend that these commodity imports be deferred until the Thieu regime shows good faith in moving toward a peaceful solution to the conflict.

INDUSTRIAL PRODUCTION

This category is simply the second portion of the disguised Commercial Import Program which would finance the import of raw materials for industry. AID spokesmen have consistently argued that the CIP fulfills humanitarian purposes because it finances raw materials needed to maintain existing levels of industrial production, thus providing tens of thousands of Vietnamese with jobs.

This argument needs to be examined much more closely than it has been in the past. In the first place, the CIP has not contributed to industrial development over the years. The share of industry in the gross domestic product actually fell from 14.5 percent in 1964 to 10 percent in 1973. The industrial sector has already suffered a severe loss of production, with certain key commodities falling to 50 percent of their 1971 levels.[28]

Secondly, the CIP has failed to stem the rapid rise of unemployment, which has already reached crisis proportions. The World Bank study of January 1974 shows that the reason for the loss of production and consequent rises in unemployment has not been lack of raw materials, but the withdrawal of U.S. troops. A considerable part of the market for many goods has been lost because many Vietnamese no longer have incomes previously generated by the American military presence. In other words, the unemployment problem is a consequence of the artificial nature of the South Vietnamese economy, which for years was based on the prosperity generated by American military spending.[29]

The CIP can claim credit for employing at most 300,000 Vietnamese, the total number of industrial workers in South Vietnam.[30] But the war itself has caused far more disruption, an estimated 3.5 million people unemployed and kept out of production. The only way to solve the problem of unemployment and lack of production is to end the war and begin the process of real economic development.

TRANSPORTATION AND MISCELLANEOUS

This category is the third part of the disguised Commercial Import Program, which will bring in petroleum, iron, steel, and presumably various other imported items not otherwise covered such as pharmaceuticals and cement. Again, we do not oppose the financing of a certain level of imports, but it should be part of a program which is clearly moving toward economic normalization and development rather than propping up a war economy.

In sum, we recommend that all commodity support in these three categories be withheld until Thieu has seriously begun to implement the Paris Agreement. By generating counterpart funds, commodity sales indirectly subsidize Thieu's military budget and increase his ability to continue making war.

World Bank economists have estimated that if the war were ended and the entire labor force returned to productive work, South Vietnam's industrial output would increase by about 40 percent to "a level at which South Vietnam's dependence on net imports of commodities would be no higher than normal for a developing country of South Vietnam's size and per capita income."[31] Real economic progress can only begin when the fighting stops.

RECOMMENDATIONS

Congress should wait for a demonstration of good faith by the Thieu regime before authorizing funds for "Post-War Reconstruction" in South Vietnam. An exception can be made for those programs having a genuinely humanitarian character, such as public health and child welfare. We support the Administration's request of $8.2 million for child care and $10.3 million for health care. Although these programs are miniscule by comparison with those programs aimed at propping up the war economy and maintaining the political status quo, they constitute a symbol of concern for the continued suffering of the Vietnamese.

NON-U.S. AID AND FOREIGN PRIVATE INVESTMENT

1. Multilateral aid

In response to a formal request by President Thieu and direct pressure from the U.S. and Japan, World Bank officials have begun organizing a multilateral aid consortium or consultative group for the Saigon government. Two World Bank economic reconnaissance teams have visited South Vietnam in the past year and informal talks with representatives of possible donor countries have begun.[1]

However, some of the Bank Directors have expressed reservations about these initiatives by Bank officials. They caution against the World Bank's taking any action that may be interpreted as support for one side of the Vietnam conflict against another.

In October 1973, the World Bank held a major meeting of representatives from potential donor countries and from international agencies in Paris. Its purpose was to lay the groundwork for an institutionalized aid group to South Vietnam. However, the participants failed to reach consensus about setting up such an aid group, and another meeting was set for February 1974, to continue the discussions.

The February meeting never occurred as a result of the Congressional vote against funding the International Development Association (IDA), the "soft loan" arm of the World Bank. As AID Administrator Daniel Parker told Congress, "uncertainty on continued U.S. contributions to IDA has delayed formalization of a Vietnamese consultative group and assistance from IDA." In other words, multilateral aid to Saigon is dependent upon a reversal of Congress' negative vote on IDA.[2]

Although the World Bank has not yet approved the creation of an aid consortium for the RVN, Bank officials have been quietly trying to secure a commitment of IDA funds for Saigon. According to Nguyen Huu Hanh, Thieu's representative to the World Bank, officials for the agency have already promised his government $361 million to help finance oil imports.

By participating in this planned consortium for Saigon, the World Bank is placing itself in an awkward legal and moral position. As a respected member of the international community, the Bank has a responsibility to ensure that its own activities do not undercut the Act of the International Conference on Vietnam which represents a global committment to promote full implementation of the Paris Agreement.

It would be improper for the World Bank to give aid to the Thieu Administration, whose legitimacy as the sole government of South Vietnam is in doubt, until the political provisions of the Paris Agreement are implemented and free elections are held. In Senator George McGovern's words, for the World Bank to give aid now "would entail making choices which, under the terms of the Paris Agreement, belong to the people of South Vietnam." Furthermore, "It would detract still further from any remaining respect for the Agreement, and it would do additional damage to the already badly battered prospects for peace."

Recommendations

The World Bank has a moral and legal obligation to encourage implementation of the Paris Agreement. By withholding multilateral aid and delaying the formation of an aid consortium for South Vietnam until a new government is formed through free and democratic elections, the World Bank would provide an incentive for all parties to respect the Paris Agreement. Congress should not authorize funds for IDA until it receives assurances that the World Bank will not use these funds in ways that are not compatible with and supportive of the Paris Agreement.

2. Foreign Private Investment

So far, the only substantial progress Saigon has made to attract foreign private investments in Vietnam has been awarding concessions to four international oil companies for off-shore exploration. Only 7 of the 30 oil compa-

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nies that originally expressed interest ultimately submitted their bids. The rest were discouraged in part by the disputed sovereignty of many of the off-shore tracts.[3] Sixty percent of the oil tracts offered by Saigon for bidding in the summer of 1972 are subject to territorial disputes with Thailand, Malaysia, Cambodia, and Indonesia.

In addition, the Paris Agreement undermines Saigon's claim to sovereignty over the remaining offshore territory. Both the PRG and Saigon Administrations have only provisional authority over their zones until a new government to unite all political tendencies is formed. The PRG's official position is that it does not recognize the oil leases that Thieu signs on the grounds that his Administration does not have exclusive authority over South Vietnam's primary resources. This stance, and uncertainty about the PRG's military strength, caused many potential investors with long-term interests in South Vietnam to shy away.[4]

The concensus among most business journals and the American Chamber of Commerce in Saigon is that investment interest in Vietnam has waned considerably.[5] According to the Investment Services Center, Americans have invested less than $2 million over the last 10 years.[6] Pacific Basin Reports, a periodical for large corporations and banks, writes: "Most potential foreign investors, wary until now, are one by one abandoning all thought of investment in South Vietnam at this time." According to the periodical's analysis, President Thieu's political problems, his budget crisis--in spite of the enormous flow of U.S. aid--and the impossibility of a Saigon military victory, means that any effort to salvage the government by foreign credits is totally unrealistic. Even the fact that Saigon has the most liberal investment laws in Asia is seen as "merely a symptom of the inherent weaknesses of its economy."[7]

Another unfavorable sign for potential investors has been the steady flow of Vietnamese capital leaving the country. Many wealthy Vietnamese, including high-ranking members in the Thieu Administration, are not confident that a pro-American government will remain in power for long, and they are not taking any chances. One Saigon senator estimated that approximately $500 million has been sent abroad for safe-keeping.[8]

The flight of capital has been of special concern for the United States. Speaking to the American Chamber of Commerce in early 1972, former U.S. Ambassador Ellsworth Bunker warned that "Special attention should be paid to attracting Vietnamese capital back from abroad" before foreign businessmen can be persuaded to invest.[9]

But wealthy Vietnamese are still not investing in their own country, and foreign businessmen continue to keep their distance. It appears that until Saigon's economic and security problems are solved, and that will only happen with peace, Saigon's hope for attracting private investments will remain just that.

PL 480 PROGRAM (FOOD FOR PEACE)

The Food For Peace program consists of the following two components:

- --Under Title I, the U.S. sells agricultural commodities to the Saigon government on easy credit terms. These commodities are then resold on the local market, generating counterpart local currency for use by the RVN.
- --Under Title II, a grant program, the U.S. provides commodities to either the government or to voluntary agencies for distribution to war victims and others in need.

Over the years, Title II donations have declined significantly, although there has been no corresponding decrease in the number of needy people in South Vietnam. In FY 1968, Title II donations totalled $41.7 million. This amount was cut back in FY 1971 to $23.1 million and in FY 1974 to only $500,000. For FY 1975, the Administration's Title II request is a mere $553,000,[1] or less than $0.70 worth of food for each new refugee generated in South Vietnam during 1973.[2]

Title I sales, on the other hand, have vastly increased during this same period. In FY 1972, the Title I total for South Vietnam was 62.5 million.[3] This rose in FY

1973 to $176 million. For FY 1974, the Administration initially projected a Title I total of $176 million.[4] By the middle of the fiscal year, however, the Administration increased this total to $309 million.[5] Since Congress sets no country ceilings for Food For Peace, the increase could occur without Congressional knowledge.

Section 104(c) of Public Law 480 provides that the local currencies generated by sale of Title I commodities may be used "to procure equipment, materials, facilities, and services for the common defense including internal security."--in other words, for military and police purposes. In October 1973, the Administration increased the percentage of Title I currencies going into Saigon's military budget from 80 to 100 percent.[6]

A provision attached to the Foreign Assistance Authorization bill in December 1973 now prohibits the use of local currencies generated by Food For Peace for military purposes after July 1, 1974 without specific Congressional approval. However, Food For Peace currencies may still be channelled into other categories of the Saigon budget. Since this transfer will free an equal amount of money for military use, the effect of the prohibition will probably be negligible.

Title I agricultural commodities are sold to Saigon on easy credit terms. For the current period, a grace period of 10 years will be allowed before repayment of the principal must begin. The loan is then payable over a period of 40 years at 2 percent interest. Under these terms, the "sale" is a virtual gift, particularly for a government struggling to stay afloat economically on a year-to-year basis.

To justify the vast increase in Title I sales over Title II grants, the Administration argues that the free market is a more efficient distribution system than the corrupt government apparatus administering the RVN refugee program. Corruption is indeed widespread and presents a serious problem in all humanitarian programs.

However, the free market system has been even less effective in meeting the needs of the Vietnamese. In spite of the 300,000 metric tons of rice shipped to Vietnam by the U.S. in the past fiscal year, many refugees are facing hunger. At the same time, Saigon's Ministry of Agriculture is talking of exporting 50,000 metric tons of rice during 1974.[7] As the director of Saigon's Office of Foodstuffs explained, the export of rice was possible in the face of widespread hunger because the population was too poor to buy the available rice.[8]

The price of rice has risen astronomically because of tight administrative controls over the collection of rice from Vietnamese farmers (intended to prevent the sale of rice to the PRG); because of hoarding by merchants who hope to profit from the rising prices; and because of collusion between administrators and rice merchants with contracts to supply the provinces. Demand for the artificially restricted supply of rice is kept high by the policy of preventing refugees from returning to farm their own fields.

The Food For Peace program was originally intended to increase foreign consumption of surplus American agricultural commodities. Agricultural surpluses are no longer a problem for the U.S., however. Instead, shortages have caused the price of rice in the U.S. to double in the past year, and wheat is in critically short supply. The Agriculture Department determined last year that there was no longer a need "to increase the consumption of United States agricultural commodities in foreign countries" and submitted a PL 480 budget request of zero dollars for FY 1975.[9]

At the same time, food shortages are much more serious in other parts of the world than in South Vietnam, which would soon be able to feed itself if peace were restored. Vast numbers of people are dying of starvation in the sub-Saharan region of Africa, where a series of droughts has created crisis conditions. In the face of limited supplies at home, and the desperate need for food relief in Africa, the U.S. can hardly justify diverting $182 million worth of foodstuffs (19 percent of the world-wide PL 480 distribution) to South Vietnam, a country capable of producing an abundance of rice.[10]

In summary, the PL 480 program in South Vietnam needs modification because 1) it is being used to finance the Saigon government, which continues to violate the Paris Agreement; 2) it is doing little to alleviate the plight of South Vietnamese who are facing starvation; and 3) it is diverting scarce food resources from U.S. domestic needs and humanitarian needs around the world.

RECOMMENDATIONS

As it serves primarily to support the RVN budget rather than to provide relief to the needy, Congress should prohibit the appropriation of any funds for the Title I sales program for South Vietnam until it has determined that the RVN is implementing the basic provisions of the Paris Agreement, including the guarantee of freedom of movement and residence. Once refugees are able to return to the countryside, they will rapidly become self-sufficient in rice, thereby reducing the need for rice imports.

As long as there is still a need for imported food, the U.S. should rely on Title II donations rather than Title I sales to provide the necessary agricultural commodities. Since the RVN has not demonstrated the ability to effectively maintain a distribution system, arrangements should be made for multilateral and voluntary agencies to distribute food outside of RVN channels.

MILITARY ASSISTANCE SERVICE FUNDED PROGRAM
(in millions of dollars)

	FY 1974 Programmed	FY 1975 Requested
MASF Total Obligational Authority	1,126	1,600
Procurement	359	852
Operation & Maintenance	623	574
Military Personnel	40	24
Defense Attache Office	**	**
Excess Defense Articles	35	35
Local Currency Purchases	64	**
TOTAL EXPENDITURES	1,121	1,485

**Figures not available
SOURCE: GAO Report, Congressional Record, 3/28/74, p. E1917

For FY 1975, the Department of Defense is requesting $1.6 billion in total obligational authority for Military Assistance Service Funded (MASF) military aid to South Vietnam--$474 million more than the ceiling authorized by Congress in FY 1974.[1] Included in the MASF request is $1.45 billion in new obligational authority.

Because a detailed description of the FY 1975 MASF requests is not publicly available, we have made a category-by-category analysis for FY 1974 in the belief that present expenditures offer the best available guide to future programs.

In examining each category, we have tried to determine its conformity with the Paris Agreement signed by the United States, the Republic of Vietnam (RVN), the Provisional Revolutionary Government of South Vietnam (PRG) and the Democratic Republic of Vietnam (DRV) on January 27, 1973. U.S. commitment to the implementation of the Agreement was recently reiterated on March 25, 1974 by Deputy Assistant Secretary of Defense Dennis Doolin, who informed the House Armed Service Committee's staff, "The United States has not declared the Agreement inoperative, nor do we consider

it so. We consider the Agreement binding and comply."/sic/

Despite this verbal commitment to the Paris Agreement, the Defense Department is supplying the Republic of Vietnam's Armed Forces (RVNAF) with funds, fuel, weapons, ammunition, personnel and logistical assistance which supports offensive military actions long after a ceasefire was supposed to begin. This assistance is inconsistent with the following articles of the Paris Agreement:

--Article 3 which commits all parties, including the United States, to "maintain the ceasefire and ensure a lasting and stable peace;"

--Article 4 which states, "The United States shall not continue its military involvement or intervene in the internal affairs of South Vietnam;"

--Article 7 which forbids the introduction of military personnel and war materials into South Vietnam, except for periodic replacement of damaged or worn-out war materials "on the basis of piece-for-piece of the same characteristics and properties."*

We submit the following analysis and recommendations in the belief that Congress should approve military assistance to South Vietnam only to the extent that it is consistent with and supportive of the Paris Agreement.

*It should be clear that piece-for-piece replacement of war materials consumed in offensive operations is inconsistent with Article 3.

MASF PROCUREMENT

FY 74 Request ($ millions)	FY 74 Programmed ($ millions)	FY 75 Request ($ millions)
843	359	851

1. Munitions

In the year following the ceasefire agreement, the United States supplied the RVN with approximately $276 million worth of munitions, including bombs, rockets, artillery shells and small arms ammunition. This amount was about 75 percent of the level of supply in 1972, a year of far heavier fighting than 1973 because of the DRV's spring offensive.[2]

Reports from South Vietnam indicate that RVN forces are using their American-supplied munitions at a much greater rate than the other side and with a minimum of controls by the United States. The Washington Post reported:

> American sources say they have learned that in Indochina, the more guns and ammunition are available, the more the armies in the field will use them.

The Post story quoted a well-informed officer who said that even after the U.S. reduced the ammunition supply, "we found out that the South Vietnamese were still outshooting the enemy by 20 to 1, but the overall total was that much lower."[3]

Field reports from staff of the American Friends Service Committee's medical center in South Vietnam and from American correspondents indicate that a large share of the RVNAF's ammunition is consumed in harassment and interdiction (H & I) fire, the practice of spraying artillery shells into the countryside - an offensive action which violates the ceasefire. After treating many civilian victims of the ARVN's random shellings, the AFSC staff in Quang Ngai province went in March 1973 to discuss the matter with the U.S. Consul General of I Corps. The Consul General's response to AFSC's reports of civilian casualties

was, "There is no way artillery firing 14 miles away can be accurate. We're trying to persuade the RVN to use less artillery, but they're shooting off more with the expectation that it'll be replaced by the Americans." (emphasis added)

In March 1974, the Defense Department told Congress that Saigon's armed forces had been consuming ammunition faster than the U.S. was delivering it. At the time, the DoD was seeking supplemental budget authority "which will allow us to restore the ceasefire level of ground ammunition."[4] In other words, the Administration policy is to replace all ground munitions used up since the ceasefire, whether Saigon's forces have expended these munitions in offensive or non-offensive operations. Far from undertaking "to maintain the ceasefire," the Administration is offering the RVN a blank check for munitions in whatever combat operations it chooses.

2. Aircraft.

The Defense Department plans to send more than 100 Northrop F-5E fighters to South Vietnam, ostensibly as replacements for Saigon's F-5A's. The F-5E has a greater ordnance capacity and more powerful engines and "resembles the F-5A in name only," according to officials quoted in the Washington Star-News.[5] The replacement of F-5A's with F-5E's is a violation of Article 7 of the Paris Agreement which stipulates that piece-for-piece replacement of war materials must be "of the same characteristics and properties."

A Defense Department spokesman told us that all F-5A replacements are requested by the RVN and verified by the U.S. Embassy as having been "destroyed, damaged, worn out or used up" as stipulated by Article 7. But Don R. Brazier, Principal Assistant Secretary of Defense/Comptroller, told the Senate Armed Services Committee last June, "The F-5E's ...are not to replace attrition per se, or losses, they are to modernize the Vietnamese Air Force by substituting E's for A's."[6]

Moreover, there is reason to believe the DoD now intends to send the RVN a greater number of F-5E's than the 128 which Congress authorized last year,[7] even though there is no evidence that that many F-5E's have been destroyed, damaged, worn out, or used up. On January 31, 1974, the Washington Post reported that the Defense Department is planning to send 150 F-5E's to South Vietnam over the next two years.

3. Ships.

Dan Chu, the official newspaper of President Thieu's political party, has reported that the United States is planning to send the RVN four warships "of a new type."[8] Two of these ships may be patrol gunboats, "both destined for transfer to South Vietnam," which are reported in the April 1974 issue of Sea Power magazine to have been included in the Navy's Fiscal 1975 shipbuilding request.

MASF OPERATION AND MAINTENANCE

FY 1974 Programmed ($ millions)	FY 1975 Request ($ millions)
622.9	574.4

1. Contractor Operational Maintenance Support

Money under this budget category goes to Department of Defense contractors for work performed in Vietnam. Much of the money is used to pay civilian contractor personnel. These civilians provide technical and logistical support to the South Vietnamese armed forces, performing such functions as repair and maintenance of aircraft and other combat equipment.[9]

As of March 31, 1974, 2707 American civilian contractor personnel remained in Vietnam, according to the figures from the U.S. Defense Attache Office (DAO) in Saigon. At the time, the DAO had $120 million in outstanding contracts with 120 companies--45 of them American-invited--for work in Vietnam.[10]

The work of civilian contractor personnel in Vietnam is inconsistent with the Paris Agreement on two counts. First,

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Article 7 stipulates that "military personnel, including technical military personnel" of the United States are not to be introduced into South Vietnam after the ceasefire. Although civilian contractor personnel are not actually military officers, they are paid by the U.S. military to perform technical military functions. Moreover, some of these civilians are former officers who have recently left the military and taken up jobs doing what they did while in the military.[11] Their employment in Vietnam violates the intent, if not the letter, of Article 7.

Second, the military support functions performed by civilian contract personnel constitute a form of U.S. military involvement in South Vietnam which violates Article 4 of the Agreement.

2. Support of South Vietnamese Police

In December 1973, Congress passed the Foreign Assistance Act of 1973 whose section 112 prohibited the use of foreign assistance funds to support the South Vietnamese police and prison system. In attaching this provision to the bill, the Senate Appropriations Committee took note of substantiated accounts of mistreatment and torture in South Vietnamese prisons:[12]

> The committee believes it is not in the best interest of the Agency for International Development or any other agency of the government to be identified with the police system of South Vietnam.[13]

In support of its recommendation to eliminate Foreign Assistance Act funding for Saigon's police and prisons, the Committee cited relevant articles of the Paris Agreement:

> With the signing of the 'Agreement Ending the War and Restoring the Peace in Vietnam' on January 27, 1973, the United States agreed that it would not 'impose any political tendency or personality on the South Vietnamese people,' that 'advisors to all paramilitary organizations and police forces will be withdrawn' and that we would not 'interfere in the internal affairs of South Vietnam.'

In FY 1974, the Defense Department budgeted $10.6 million in support of the RVN's National Police.[14] Although Section 112 of the Foreign Assistance Act does not apply to DoD appropriations, we believe that MASF monies going to President Thieu's police constitute as much of an interference in South Vietnam's internal affairs as would Foreign Assistance funds. Any FY 1975 Defense Department request for funds in support of the RVN's police or prison system is inconsistent with Article 4 of the Paris Agreement and should be denied.

3. Packaging, Crating and Handling of Equipment

Inasmuch as these funds may provide logistical support for RVNAF's offensive actions, Congress should suspend their authorization pending Saigon's implementation of a ceasefire. Should the RVN end its violations of the Paris Agreement, Congress should authorize only those packaging, crating and handling of equipment funds which are necessary to replace war materials according to the conditions of Article 7.

4. Other O & M Categories

MASF funds for Support of RVN Armed Forces, for Training and for Depot Maintenance should not be approved. Subsidizing the military of one of the competing South Vietnamese parties, paying for its operations, training and the maintenance of its bases constitute a form of military involvement in South Vietnam.

Funds for Field Advisors and Military Assistance, Vietnam should be eliminated if the Defense Department is making such a request in FY 1975. Article 5 of the Paris Agreement requires the withdrawal of U.S. military advisors from South Vietnam and Article 7 prohibits their reintroduction. Insofar as funds in this category pay for DoD direct-hire or military personnel who perform military support functions, they should not be approved. The presence of such American personnel in Vietnam violates Article 4 of the Paris Agreement. (See discussion below of Defense Attache Office.)

Congress should also deny any FY 1975 MASF request for support of Rural Development Cadre. RD cadre have reportedly

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been recruiting villagers--sometimes by force--to join President Thieu's political party.[15] Funding these political workers is a form of intervention in the internal affairs of South Vietnam. It is also inconsistent with Article 9 (c) of the Paris Agreement which states, "Foreign countries shall not impose any political tendency or personality on the South Vietnamese people."

MASF MILITARY PERSONNEL

FY 1974 Programmed ($ millions)	FY 1975 Request ($ millions)
40.4	24.0

Article 5 of the Paris Agreement stipulates the total withdrawal of troops, military advisors, and military personnel associated with the pacification program, armaments, munitions and war material of the United States. Article 7 prohibits their reintroduction into South Vietnam.

LOCAL CURRENCY PURCHASES

FY 74 Programmed ($ millions)	FY 75 Request ($ millions)
63.6	Not available

According to Articles 4,5 and 7 of the Paris Agreement, the Defense Department should have ended the U.S. military presence in South Vietnam which was formerly used to justify local currency purchases. Funds in this category constitute another form of subsidy for the RVNAF. Financial support for the armed forces of one of the two competing South Vietnamese signatories may be construed as intervention in the internal affairs of the country.

DEFENSE ATTACHE OFFICE

FY 74 Programmed	FY 75 Request
Not available	Not available

The Defense Attache Office (DAO) in South Vietnam employs about 50 U.S. military personnel and 936 direct-hire civilians[16] who provide logistical support, communications-electronic support, budget-programming and training support for the RVNAF. The DAO also carries out intelligence activities and "liaison" with the Saigon military command.[17] If Defense Department listings of job openings in Vietnam are any indication, the DAO employs American civilians as ammunition specialists, intelligence officers, security specialists, aircraft techicians and training officers, among other things.[18]

In the first weeks after the signing of the Paris Agreement, the DoD predicted it would have no direct-hire employees in Vietnam in 1974. By April 1973, however, the Department had changed its mind. DoD officials explained to staff of the Senate Foreign Relations Committee that "fighting had continued at a higher level than anticipated, necessitating a higher level of support activity."[19]

In other words, the DAO's function is to support RVNAF military operations, and the more they fight, the more support they need.

American support of Saigon's combat operations is inconsistent with Article 4 of the Paris Agreement. Because the RVNAF's actions have continued to violate the ceasefire, such assistance is also inconsistent with U.S. obligations under Article 3.

Moreover, the presence in Vietnam of American civilians performing technical military functions violates the spirit, if not the letter, of Articles 5 and 7. These articles respectively order the withdrawal and forbid the introduction of "military personnel, including technical military personnel, associated with the pacification program, armaments, munitions and war material of the United States." The presence of U.S. military personnel employed by the DAO in South Vietnam violates the letter of these articles.

EXCESS DEFENSE ARTICLES

FY 74 Programmed ($ millions)	FY 75 Request ($ millions)
35	35

Excess Defense Articles consist of war material and equipment which the Defense Department has determined to be above and beyond its own requirements. These articles are transferred to the armed services of other nations at a procurement value not less than one-third their original value. Thus, Excess Defense Article authority provides the DoD with an opportunity to supply the RVNAF with up to three times the amount of war materials or equipment it could provide with the same authority in the ordinary procurement category of the MASF budget.

Insofar as Excess Defense Article funds provide war materials which support RVNAF offensive actions, the authorization or appropriation of such funds is inconsistent with Articles 3 and 4 of the Paris Agreement.

CONCLUSION

All parties to the Paris Agreement are now locked in a vicious cycle of fighting that may ultimately lead to full-scale war. The present level of U.S. military assistance accelerates that cycle by subsidizing whatever combat actions the Republic of Vietnam chooses to pursue. The only way to break this cycle is to redirect American military aid so that it encourages full implementation of the Paris Agreement, allowing the Vietnamese people to decide their own future through the political process prescribed by Articles 9 through 12.

Congress can help achieve that objective by refusing the Nixon Administration's request to continue providing the RVN with the means to make war. Congress should eliminate all military assistance funds which are incompatible with American obligations under the Paris Agreement. Even the piece-for-piece replacement of war materials allowed by Article 7 is inconsistent with the Agreement so long as the RVN is initiating combat. Therefore Congress should suspend funding for replacements until Saigon has stopped offensive actions.

Congress should make clear its willingness to review these suspended funds as soon as President Thieu has begun meeting the minimum conditions for peace and reconciliation in his country. By delaying military aid in this way, the U.S. would provide an important incentive for implementation of the Agreement.

This action would not amount to "delivering South Vietnam bound hand and foot to Hanoi," as some have charged. In the first place, evidence indicates that the DRV and PRG are more interested in a political than a military competition, and their intentions should be tested. Second, even if these indications were to prove false, the RVNAF has more than enough military equipment to defend itself. In the last four years, the U.S. has delivered to Saigon more than $6 billion worth of tanks, munitions, artillery, rifles and other weapons, including over 1800 aircraft.[20] This number compares to 340 planes and helicopters in the DRV's air force.[21] The PRG is not known to have any aircraft.

If the U.S. continues to provide the RVN with vast military resources, Saigon will have little incentive to seek a political solution on the basis of the Paris Agreement. While President Thieu may feel that some of its provisions are to his disadvantage, the Agreement remains the only present alternative to war.

RECOMMENDATIONS

A. MASF PROCUREMENT

1. Until the RVN agrees to halt its offensive combat actions and abide by the Paris Agreement, Congress should suspend authorization and appropriation of further funds for procurement in the MASF program.

2. After making known its desire to see the Agreement fully implemented, Congress should send a fact-finding mission to South Vietnam to determine whether or not the Thieu government is working to establish a genuine ceasefire, to

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demarcate zones of control and to inaugurate the political process of reconciliation prescribed by the Agreement.

3. If this investigation determines that the RVN has reversed its policy and begun implementing the Agreement in good faith, Congress should then review the Administration's MASF procurement request in light of the new political and military situation and in strict accordance with the one-for-one replacement provisions of Article 7. It should be clear that replacement of war materials is not a binding contractual obligation upon the United States. Moreover, Article 7 does not allow the U.S. to resupply a party that is carrying out offensive military actions.

4. To procure whatever replacements of war materials which Congress finds consistent with Article 7, Congress should authorize funds from unobligated MASF balances. Congress should not authorize or appropriate new MASF funds until those balances are expended.

5. Because the shipment of F-5E fighters is in violation of Article 7, Congress should immediately stop all shipments of these planes to South Vietnam. It should not authorize or appropriate MASF Navy Procurement funds for ships or other war materials which are not of the same properties and characteristics as war materals which they are intended to replace.

B. MASF OPERATION AND MAINTENANCE

1. Congress should not authorize or appropriate further MASF funds for Operations and Maintenance support of the Republic of Vietnam's armed forces or police, except for funds in the category of packaging, crating, and handling of equipment. All other categories of operation and maintenance support are inconsistent with Article 4 of the Paris Agreement.

2. Congress may consider authorization of funds to package, crate and handle replacements of war materials as provided by Article 7, once the RVNAF has terminated its offensive actions. Accordingly, we make the same recommendations for funding of packaging, crating, and handling of equipment as we made above for the category of Procurement. It should be clear that once a ceasefire is established, the amount of funds to support the handling of equipment replacements will be small.

C. MASF MILITARY PERSONNEL

Congress should authorize and appropriate no further funds for Military Personnel in the MASF budget, as the Paris Agreement forbids their presence in South Vietnam.

D. OTHER MILITARY ASSISTANCE

1. Congress should eliminate any further funds in the MASF budget for Local Currency Purchases since subsidizing the RVNAF is inconsistent with Article 4 of the Paris Agreement.

2. Congress should deny funds for the Defense Attache Office in Vietnam except to support a very small contingent of personnel who might be needed in connection with the replacement of war materials as provided by Article 7. Even this small level of funding should be suspended until the Saigon government ends its offensive military operations and begins to abide by the Paris Agreement.

3. Congress should request the General Accounting Office to investigate whether the Defense Department is using Excess Defense Article authority in good faith, or whether it is using it as a bookkeeping device to procure more war materials for the RVNAF than Congress intends. Pending a finding of good faith, Congress should authorize Excess Defense Article obligations according to the recommendations we have made above under the category of MASF procurement.

Cambodia

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CAMBODIA

PROGRAM SUMMARY (in millions of dollars)			
	FY 1973 Actual	FY 1974 Estimated	FY 1975 Proposed
Military Aid	138.0	325	364
Indochina Postwar Reconstruction	67.3	95	110
Food For Peace	25.8	194	77
TOTAL AID	230.1	614	551

OBJECTIVES OF U.S. ASSISTANCE

Since Lon Nol seized power in Cambodia in 1970, the U.S. has been his government's basic source of military and financial resources. In FY 1973, total domestic revenues of the regime amounted to only $42 million,[1] compared to $231 million in U.S. aid and expenditures of as high as $4.5 million per day for bombing.[2] The objective of this aid has been to keep in power a regime which is friendly to the U.S. but has virtually no domestic support.

In contrast to the other countries of Indochina, U.S. military involvement in Cambodia has not been accompanied by humanitarian aid projects designed to "win hearts and minds." Lon Nol's predecessor, Norodom Sihanouk, refused to accept any American aid after 1963, charging that "the terms were so onerous that they amounted to national humiliation and that dollar aid actually retarded our development."[3]

Economic aid to Cambodia since the coup has consisted almost entirely of commodity imports and "Food For Peace" sales, programs which generate funds for the military and offset the war-related disruption of domestic production. The objective of U.S. aid to Cambodia should be to promote a peaceful resolution to the civil war there and to relieve the suffering of the war's victims. As long as U.S. aid continues to be primarily a prop to an unpopular government, it will instead prolong the war and aggravate the misery of the people.

POLITICAL AND MILITARY SETTING

Because he seized power from a popular predecessor and plunged his country into civil war, Lon Nol was at a political disadvantage from the beginning. His domestic power base consisted of a narrow urban elite. By April 1973, a U.S. Senate study mission found that "as a result of manipulated presidential and parliamentary elections, compounded by the universally abhorred machinations of Lon Nol's younger brother, Lon Nol had alienated almost all of those who had supported him in the past."[4] Token reforms undertaken in the past year have not improved Lon Nol's political standing. In March 1974, several high-ranking officials defected from his regime to join Sihanouk's forces,[5] and a group of leading Buddhists staged a hunger strike for peace.[6]

While Lon Nol's following has declined, insurgent forces, calling themselves the National United Front of Cambodia (FUNK), have grown dramatically. Estimated at 3000 in May 1970, FUNK's forces had increased to 10,000 only seven months later[7] and to at least 40,000 and perhaps as many as 250,000 (including local forces) in April 1973, according to CIA figures.[8]

Opposition to Lon Nol has brought together a wide range of political elements, from the old Khmer Rouge who opposed Sihanouk before the coup to Sihanouk himself and his long-time supporters. While the occasional internal conflicts among the various elements of the FUNK are often cited as evidence of the movement's weakness, the fact that the FUNK has survived and grown in spite of its diversity is actually an index of its strength and demonstrates the intensity and universality of opposition to Lon Nol.

The degree of North Vietnamese influence among the insurgents has sharply declined since the early days of U.S. intervention. In July 1973, the Defense Department estimated the number of North Vietnamese and "Viet Cong" in Cambodia as 15,000 to 28,000, but stated that they were performing support activities rather than engaging in combat.[9] Most are reportedly "targeted" toward Vietnam.

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Militarily, Lon Nol's position has been steadily declining in spite of his overwhelmingly superior firepower supplied by the U.S. Military action, including bombing by U.S. forces before August 15, 1973, and continued bombing by Lon Nol's forces since then, has driven between 65 and 70 percent of the population into the 15 percent of the country controlled by Lon Nol and therefore safe from the bombs.[10] Lon Nol has retained control of little more than the major cities.

The Administration presents its support for President Lon Nol as an attempt to achieve a negotiated peace settlement in Cambodia. However, when Sihanouk offered to meet with Henry Kissinger in early 1973, he was rebuffed. FUNK now maintains that whatever bargaining power Lon Nol may have derives from his U.S. backers, not from any military or political strength of his own. Confident of eventual military victory, FUNK has shown no interest in negotiations with Lon Nol.

During March and April 1974, FUNK further strengthened its military position with a series of significant advances. Six of Lon Nol's strongholds were overrun, including four provincial capitals. The most serious loss to Lon Nol, symbolically if not strategically, was the former royal capital of Phsar Oudong, 24 miles northwest of Phnom Penh. Lon Nol's forces lost many hundreds of troops defending Phsar Oudong, then suffered even heavier losses in an attempt to retake the city.[11]

ECONOMIC SITUATION

Before the overthrow of Sihanouk, Cambodian exports averaged $90 million per year,[12] mainly rice and rubber, and a lively tourist trade provided almost enough additional foreign exchange to balance imports of around $100 million per year.

The war that engulfed the country when Lon Nol took power very quickly took its toll on the economy. Farmers abandoned their fields to escape from the fighting and bombing; fields and plantations were destroyed; able-bodied workers were recruited into the army; resources were diverted to the war. By December 1970, only 9 months after the coup, then-Secretary of State William P. Rogers reported that "Cambodia's earning from rubber exports and the tourist trade have disappeared, and rice exports have been jeopardized."[13]

The economy has continued to decline. Total exports were only $15 million in 1973,[14] while imports had risen to $177 million.[15] The rate of inflation in 1973 was 275 percent and prices rose another 40 percent in the first three months of 1974.[16]

The U.S. now supplies nearly all the rice consumed in areas of Cambodia controlled by the Lon Nol regime, as most of the rice-producing land is in the hands of the insurgents. A.I.D. proposes to increase the food supply by financing resettlement operations around the cities. It is unlikely, however, that rice production can be anywhere near adequate in the overcrowded urban areas, even with a much more ambitious "resettlement" program than the one proposed.

The economy is further strained by rampant corruption and by the almost total disruption of the transportation system, allowing the capital to receive supplies only by river convoys or by air.

CURRENT SITUATION AND FUTURE PROSPECTS

The political, military and economic prospects of the Phnom Penh government are bleak. With U.S. support continuing at a high level, Lon Nol's forces may be able to hold on for another year or more to the 10 to 15 percent of the territory and 65 to 70 percent of the population they now nominally control. But no amount of U.S. support can build a political base in Cambodia that could compete with that of the insurgents. Without such a base, the U.S. and Phnom Penh can do no more than postpone the insurgents' victory.

The Administration argues that failure to support Lon Nol would endanger the Paris Agreement, since a Cambodian government dominated by FUNK would allow the North Vietnamese access to its territory in violation of the Agreement's Article 20.

In fact, the U.S. itself is violating Article 20. The Arti-

cle provides that the internal affairs of Cambodia and Laos will be settled without foreign interference. In Senate Hearings, Secretary of Defense James R. Schlesinger described the U.S. committment to the Phnom Penh government as "assistance to a government that is attempting to resist a domestic insurgency."[17] U.S. support of one side in a domestic conflict is clearly a violation of Article 20.

Article 20 also prohibits foreign countries from engaging in military activities in Cambodia and Laos and from introducing military personnel and war materials into those countries. By supplying military equipment to the Phnom Penh government, and keeping military personnel in Cambodia, the U.S. is again violating Article 20.

To ensure implementation of the Paris Agreement, the U.S. should itself begin abiding by it. The Congress and the American people must face the fact that the U.S. aid program as presently structured is prolonging a losing war. If U.S. aid is redirected to meet the human needs of a devastated country, rather than to prop up an unpopular government, many thousands of Cambodian lives and millions of American dollars will be saved.

PROPOSED FY 1975 PROGRAM

American aid does not assist the majority of the Cambodian people. Instead, U.S. military supplies and economic support for the Lon Nol government contribute to the continuing war. Given the current political situation in Cambodia, we propose revisions in all of the specific programs of the A.I.D. request.

Four major programs would be affected. First, the Commodity Import Program should be suspended pending the establishment of a representative government in Cambodia. Second, the U.S. should withhold support from the Exchange Support Fund which is used to satisfy a privileged segment of the Phnom Penh economy. Third, refugee aid should be limited to emergency relief and channelled through voluntary or multilateral organizations to ensure that refugees are not manipulated for political purposes.

The administration has used Food For Peace to indirectly support the military efforts of the Lon Nol government. Therefore, our fourth suggestion is that this program should be suspended except for Title II emergency food relief which could be administered by multilateral organizations. This action would significantly limit the local funds made available by the U.S. for salaries of Lon Nol's military.

Article 20 of the Paris Agreement should be strictly observed. This would mean the prohibition of U.S. advisors, training programs, and delivery of war supplies.

POSTWAR RECONSTRUCTION ASSISTANCE

None of A.I.D.'s proposed FY 1975 program of $110 million is earmarked for reconstruction and development, despite the "Postwar Reconstruction" label. Instead, the program is designed primarily to sustain a war-distorted economy by providing imported commodities. A.I.D.'s program is supplemented by a Food For Peace program of at least $77 million, which supplies food that cannot be grown domestically in wartime. These import programs also generate local currency, used to pay military salaries and allowances.

HUMANITARIAN AID
(in millions of dollars)

FY 1973 Actual	FY 1974 Estimated	FY 1975 Request
1.2	13.4	20.0

During the first years of the war, U.S. officials maintained that a formal program of refugee assistance was unnecessary in Cambodia, claiming that refugees were able to find lodging with families and friends. When the intense American bombing in 1973 increased the cumulative number of refugees to nearly half of the country's population, A.I.D. finally determined that the "extended family system has reached its saturation point" and began a modest program of humanitarian aid to refugees.

This initial relief program was administered through a number of voluntary agencies, which received a total of $3 million in FY 1973 and FY 1974. These agencies are to

receive another $2 million in FY 1975.

The major thrust of the refugee program will be "resettlement" which is described as an attempt to "allow a portion of the refugee families to earn their own livelihoods and help increase food supplies for the cities". In light of the limited farmland controlled by Lon Nol, it is unlikely that this program will succeed in producing a large amount of food. Food production can be restored to its pre-coup level only when peace returns to the countryside and the refugees go back to their homes and fields.

The Vietnam experience has shown that refugee resettlement programs can abuse the rights of refugees for political purposes. Challenged by a strong revolutionary movement, the Saigon government has used resettlement to prevent refugees from returning to areas where they might support the guerillas. We wish to caution against a similar perversion of the refugee resettlement program in Cambodia.

It is our belief that until peace is restored and a new government is formed, making it possible for the thousands of people now crowded into the cities to return home, all assistance to refugees must be seen as emergency relief. Resettlement on land around the cities, while preferable to a life of idleness, must also be viewed as temporary, pending an end to hostilities.

COMMODITY IMPORT PROGRAM
(in millions of dollars)

FY 1973 Actual	FY 1974 Estimated	FY 1975 Request
45.0	62.1	71.0

The Commodity Import Program amounts to over 64 percent of the proposed Indochina Postwar Reconstruction Assistance for Cambodia. Nearly half of the Commodity Import Program, or $34 million, will finance the import of petroleum products.[18] This is in addition to the 1,100 barrels of oil a day paid for by the U.S. Military Assistance Program for use by Lon Nol's armed forces.[19]

Other commodities provided by the Commodity Import Program include iron and steel, machinery, plastic raw materials, transportation equipment, textiles, fertilizer, and sugar.

The government's sale of these commodities will generate local currency used to subsidize the war economy. Virtually all of the $71 million generated in local currency by the Commodity Import Program goes for military salaries and allowances.[20]

MULTILATERAL STABILIZATION
(in millions of dollars)

FY 1973 Actual	FY 1974 Estimated	FY 1975 Request
20.5	18.3	17.5

This Multilateral Exchange Support Fund supplements the Commercial Import Program by providing foreign exchange for the import of commodities that cannot be purchased in the United States. The United States contributes one-half of the total fund, Cambodia contributes about one-fourth, plus a substantial amount drawn from the IMF, and Japan, the United Kingdom, Thailand, New Zealand and Malaysia contribute the remainder.[21]

According to A.I.D., "The purpose of this fund is economic stabilization."[22] This really means providing for the needs of the urban elite whose support Lon Nol is trying to hold. Commodities financed by the fund have included private automobiles, motorcycles, and other non-essentials.[23]

RECOMMENDATIONS

We propose that 1) the Commodity Import Program be suspended until a representative Cambodian government is formed; 2) that the U.S. similarly withhold its contribution to the Exchange Support Fund and limit any use of the funds to essential items; and 3) that all emergency refugee relief funds be administered through voluntary agencies and multilateral organizations so long as the fighting continues. When the fighting has ended and a new government is formed, the U.S. has an obligation to assist the Cambodian refugees, many of whom fled American-made bombs, to return to their homes.

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PL 480 PROGRAM (FOOD FOR PEACE)

Under Title II of the Food For Peace program, food is granted through voluntary organizations, multilateral organizations, and foreign governments for distribution to refugees and others in need. In FY 1973, the entire Title II program in Cambodia consisted of $17,000 in milk distributed by UNICEF. During the first half of FY 1974, Title II provided only $12,000 worth of corn-soy mix and a milk substitute, earmarked for refugees. The cumulative total of Title II shipments since 1970 has been less than $50,000.[24]

By contrast, Title I Food For Peace concessional sales to Cambodia have increased dramatically since FY 1973. When the Administration presented its foreign aid request for CY 1974 to Congress in May 1973, it projected a total Food For Peace sales program of $30 million for Cambodia. By April 1974, however, Title I sales had increased more than sixfold to $194 million.[25] This increase occurred without Congressional approval or knowledge, since Congress sets no country ceilings for Food For Peace. In its Indochina Congressional presentation, A.I.D. states that the quantity of food shipped to Cambodia is expected to remain roughly the same in FY 1975 as it was in FY 1974, or about 300,000 tons. The cost of this amount of food was $194 million last year; with world food prices rising, it will probably cost even more in FY 1975. Nevertheless, A.I.D.'s program summary charts, published at the same time as the Congressional presentation, show only $77 million for Food For Peace in Cambodia in FY 1975.[26] We are left to speculate whether Food For Peace will in fact be cut back, or whether A.I.D. has simply used a conservative figure in its program summary to minimize the cost of the program presented to Congress.

As in South Vietnam, Food For Peace in Cambodia has been a major source of funds for the military. Eighty percent of the local currencies generated by the sale of Title I Food For Peace commodities in FY 1974 will be spent for the military, primarily salaries and allowances.[27]

Public outcry against the military use of Food For Peace funds provoked legislation prohibiting that practice after June 30, 1974. Currencies generated by Food For Peace after that date must be used for developmental programs. In practice, however, the transfer of Food For Peace funds to non-military budget categories will release other funds for military use.

The present Food For Peace program does little to help the refugees and the poor, whose ability to buy food is steadily eroded by inflation. It serves instead to offset the economic disruption caused by the war and to provide a guaranteed food supply for the urban elite, Lon Nol's base of support. Food For Peace thereby relieves some of the pressure that would otherwise exist for an end to hostilities, the only possible road to restoring domestic food production.

RECOMMENDATIONS

We propose that 1) the signing of Title I sales agreements be suspended until a more moderate government is formed in Phnom Penh; 2) that Title II grants be increased to provide short-term emergency food relief through multilateral organization and voluntary agencies; and 3) that future Title I sales be strictly limited by a Congressionally-imposed country ceiling.

MILITARY ASSISTANCE PROGRAM (MAP)

MAP PROCUREMENT

Most of the funds requested under the Military Assistance Program (MAP) are for ammunition.[28] In addition, the U.S. has supplied UH-1 helicopter gunships,[29] T-28 fighter planes, C-47 cargo planes, river patrol boats, armored personnel carriers and a variety of artillery pieces, trucks and small arms.[30]

In addition to MAP-funded materials, the Pentagon transfers to Cambodia weapons and equipment from other DoD categories declared to be "excess". In FY 1973, close to $20 million worth of such materials were supplied to Cambodia.[31]

MAP MILITARY EDUCATION AND TRAINING

MAP supports the training of tens of thousands of Cambodian military personnel every year in various training centers

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in Southeast Asia. The total number of trainees in FY 1973 was 49,213. Before the Paris Agreement was signed, many of these personnel were trained in South Vietnam. Now the bulk of MAP-funded training is conducted in Cambodia and Thailand, with smaller programs in the Philippines and the United States.

Training is by no means restricted to technical skills related to the use of U.S.-supplied equipment, but includes unconventional warfare and POW interrogation techniques.[32]

MAP PERSONNEL

The number of U.S. personnel in Cambodia is limited by Congress to 200 at any one time. These personnel are prohibited since 1970 from engaging in combat or from acting as advisers in Cambodia.

There is a variety of evidence that these restrictions are not observed in practice. The General Accounting Office reported in October 1973 that the Military Equipment Delivery Teams (MEDT) in Cambodia were performing many functions including advisory functions not related to their assigned role of "auditors that will keep track of the material, make the deliveries, keep track of the inventories, etc.". The GAO reported, "MEDT operated much the same as a Military Assistance Advisory Group does in any other country. Besides monitoring equipment deliveries, it was:

"--Recommending changes in force structure.
"--Advising and assisting on contingency plans and improvements in the military organizational structure.
"--Providing technical assistance on all logistical aspects of MAP.
"--Providing technical military assistance and information concerning MAP -furnished material."[33]

More recently, Congress has demanded an investigation of charges that U.S. military personnel continue to act as advisors in Cambodia. A Washington Post reporter observed a U.S. major assigned to the Defense Attache Office advising Cambodian troops in combat.[34] In addition, a former coordinator of top-secret documents has charged that such activities are routine for the approximately 100 DoD employees in Cambodia.[35]

RECOMMENDATIONS

U.S. military aid to Cambodia must be examined in light of a number of legal limitations to U.S. involvement in that country. To prevent a repetition of the U.S. invasion of Cambodia in 1970, Congress enacted legislation to:

1) prohibit the introduction of U.S. combat troops;
2) prohibit Americans from acting as military advisors;
3) limit the number of U.S. government employees in Cambodia at any one time to 200 Americans and 85 third-country nationals; and
4) ban U.S. air combat activities over all of Indochina.

In addition, the U.S. is a signatory of the 1973 Paris Agreement on Vietnam, Article 20 of which states:

b) Foreign countries shall put an end to all military activities in Cambodia and Laos, totally withdraw from and refrain from reintroducing into these countries troops, military advisors and military personnel, armaments, munitions and war materials.
c) The internal affairs of Cambodia and Laos shall be settled by the people of each of these countries without foreign interference.

Thus the Paris Agreement prohibits not only military advisers and combat troops, already banned by Congress, but also outlaws the introduction of all ammunition and war materials.

We recommend the following:

1) All transfers of military equipment to Cambodia are in violation of Article 20 of the Paris Agreement and should be discontinued.
2) The conduct of military training programs in Cambodia is inconsistent with the spirit of the Congressional prohibition of U.S. military advisors and should be terminated. Training programs for Cambodian nationals conducted in other countries should likewise be discontinued
3) When the delivery of U.S. military equipment to Cambodia is terminated, the Military Equipment Delivery Teams will have no further function and should be withdrawn. In addition we recommend the withdrawal of all other U.S. military personnel from Cambodia, in keeping with Article 20.

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Laos

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LAOS

Program Summary (in millions of dollars)			
	FY 1973 Actual	FY 1974 Estimated	FY 1975 Proposed
Military Assistance Program	335	78	86.1
Indochina Postwar Reconstruction	45	40	55.2
Food For Peace	3	3.6	2.5
TOTAL AID	383	121.6	147.8

OBJECTIVES OF U.S. POLICY

The Laotian parties have made heartening progress toward a political settlement. We agree that the fundamental objective of U.S. policy, as stated in A.I.D.'s FY 1975 Program Presentation, should be "to help Laos make the transition from war to peace by supporting the political solution that is evolving."

This objective must be carried out in accordance with Article I of the 1973 Vientiane Agreement which specifies that "...the 1962 Geneva Agreement on Laos must be respected and scrupulously observed by the Lao parties concerned, and the United States of America, Thailand, and other foreign countries. The internal affairs of Laos must be settled by the Lao people themselves, without foreign interference." Thus U.S. aid must be given only with the unanimous consent of the PGNU and not be given to one party or faction as has been the American practice.

POLITICAL AND MILITARY BACKGROUND

For more than thirty years, Laos has been at war. Four times agreements have been made to restore peace: the 1954 Geneva Agreements, the 1956-57 Vientiane Agreements, the 1961-62 Geneva Agreements, and the February 21,1973 Vientiane Agreement on the Restoration of Peace and Reconciliation in Laos.

Unfortunately, U.S. activities between 1954 and 1973 have served to undermine the Agreements rather than ensure their implementation. After the 1961 ceasefire, the CIA organized a clandestine army of Meo tribesmen which operated inside Pathet Lao territory. Disagreement about these operations contributed to tensions developing among the Laotian parties in 1963. After unsuccessful attempts at compromise, fighting erupted on the Plain of Jars and full-scale war resumed.[1]

In 1964, U.S. aircraft began flying secret bombing missions over Laos. By 1973, more than 2 million tons of bombs dropped from American planes had driven 700,000 Laotians from their homes.[2] A U.N. adviser's study revealed that on the Plain of Jars, American "bombings were aimed at the systematic destruction of the material basis of civilian society."[3]

It was not until 1969 that Congress learned of the bombing, and of the CIA's mercenary army. The Agency for International Development was also revealed to be involved in the war. Former Ambassador to Laos William Sullivan reported that A.I.D.'s Requirements Office was providing food, shelter, ammunition and other supplies for the CIA's irregular army.[4]

On their part, the Pathet Lao fielded some 30,000-50,000 men during the 1960's. Although substantial numbers of North Vietnamese were in Laos during this period, the majority were performing logistics functions on the Ho Chi Minh trail and were not involved in the Laotian war.[5]

Despite the intensity of the U.S. air war, the military strength of the Pathet Lao forces increased. In 1971 a Senate staff report noted that "from the military point of view the situation there is growing steadily worse and the initiative seems clearly to be in the hands of the enemy." Two-thirds of Laos was controlled by the Pathet Lao, and there was increasing uncertainty about the ability of the Vientiane government to hold on to its remaining territory.[6]

Throughout this period, the goal of U.S. economic assistance was, according to A.I.D. Director Charles Mann writing in a privately-circulated directive dated March 3, 1970, "to support and maintain the present Lao government and to avoid a takeover by Communist forces (with) the following priority list: 1. Economic stabili-

ty. . . 2. War-related activities. . . 3. Maintenance of Minimum Level of Government Service. . . 4. Social Infrastructure. . . 5. Economic Development. . ."

Until 1973, the U.S. was unwilling to accept the Pathet Lao demand to stop its bombing, and a political settlement was unreachable. However, with the signing of the Paris Agreement on Vietnam and the weakening position of the Royal Lao Government, the US. accepted the terms of the Vientiane Agreement negotiated by the Laotian parties.

Given the historical role of American assistance in subverting earlier agreements, it is too soon to tell if the Administration intends to honor this one. Congress has an opportunity to promote a lasting peace in Laos by ensuring that U.S. aid is provided in strict accordance with the Vientiane Agreement.

POSTWAR RECONSTRUCTION ASSISTANCE

The February 21, 1973 Vientiane Agreement provides that the Provisional Government of National Union (established April 5, 1974) will receive and distribute foreign assistance for Laos. This government has already agreed to accept currency stabilization aid from a group of non-Communist countries, including the U.S., and has indicated willingness to accept aid from any country.[7]

The Vientiane Agreement takes note of the U.S. government's pledge to "participate in healing the wounds of war and in the reconstruction of Indochina," and states, "The Government of National Union will discuss with the American Government such participation in regard to Laos."

A.I.D.'s program as presented to Congress was formulated before the new government was formed. Before proceeding with the projects outlined, A.I.D. should consult with the PGNU to determine how the projects can be revised to complement their postwar program.

HUMANITARIAN ASSISTANCE
(in millions of dollars)

FY 1973 Actual	FY 1974 Estimated	FY 1975 Proposed
	13.0	15.3

The U.S. has proposed spending $15.3 million for humanitarian assistance to Laos in FY 1975. The Laotians, however, have reason to mistrust the U.S. as a benefactor. Assistance to Laos has a long history of misuse for strategic U.S. ends. A staff report to the Senate Subcommittee on Refugees in 1970 determined that the refugee program in Laos was developed primarily as a cover for the CIA's paramilitary operations and as support for the members of the CIA's secret army. Even the A.I.D. public health program was created as a part of the military effort, to handle the acute health problems that arose when Meo irregulars and their dependents were uprooted from their mountain homes to join the secret army.[8]

Although A.I.D. tried to present its medical programs as humanitarian efforts, it did not dispute Senator Stuart Symington's contention that "these activities make it possible for the fighting to go on. It was Napolean who said, 'An army travels on its stomach,' and you all are certainly supplying the stomach--the clothes, the medical supplies needed. I do not see too much difference, personally, from supplying ammunition."[9]

A.I.D. must demonstrate clearly that its projects will not be used for subversive purposes. It is thus disconcerting to find that A.I.D. proposes to continue its contracts with Operation Brotherhood in FY 1975. Operation Brotherhood, a Filipino medical organization with long-standing ties to the CIA, was acting as the medical corps of the CIA's paramilitary forces as recently as the spring of 1973.[10]

We recommend that A.I.D. discontinue its contracts with Operation Brotherhood as an indication of willingness to move away from the military-related activities of the past.

All U.S. aid projects in Laos should be redesigned in conjunction with the new government to benefit all Laotians

and not to support one faction against the other. Restructuring is especially important in the case of refugee relief and resettlement. The current refugee program, administered by A.I.D. in cooperation with the Royal Lao Government (RLG), has provided for resettlement only in RLG areas. Through discussions with the Provisional Government of National Union (PGNU), A.I.D. must establish a new program that will assist refugees in resettling in any part of the country they choose. Until such a program is negotiated, all U.S.-financed refugee resettlement operations should be suspended.

Likewise, emergency relief must not be limited to refugees in Royal Lao zones. A.I.D. estimates that there are 750,000 people in Pathet Lao zones,[11] many of whom have been victims of U.S. bombing. Temporary emergency relief should be provided to these war victims as well as to refugees in Royal Lao zones.

A.I.D.'s other humanitarian projects must be similarly negotiated to reach people in all parts of Laos. Projects unacceptable to the Provisional Government of National Union must be discontinued.

RECONSTRUCTION AND DEVELOPMENT
(in millions of dollars)

FY 1973 Actual	FY 1974 Estimated	FY 1975 Proposed
28.9	10.9	22.4

Since damage due to American bombing has been heaviest in areas of Laos administered by the Lao Patriotic Front, the U.S. has a special obligation to rebuild these areas. The U.S. should discuss with the new Lao government the modalities of projects to rehabilitate heavily bombed areas. Likewise, other reconstruction projects, including highway reconstruction, should be modified to be acceptable to the present Lao government.

Several of the projects designated as "Development" are designed to bolster the Royal Lao Government rather than contribute to economic development as such. These include the projects "Development of Rural Economy," which trains RLG officials, and "Public Administration Development," which helps the Royal Lao Government manage its finances and plan social and economic development. These projects should be discontinued at once. If the Provisional Government of National Union requests assistance in developing administrative skills, the U.S. should discuss the establishment of new training projects.

The projects "General Technical Support" and "Air Technical Support" provide logistical and administrative support for other A.I.D. projects. These two projects employ 96 Americans, or 43 percent of A.I.D.'s Laos personnel.[12]

The A.I.D. Mission, funded through "General Technical Support," has worked closely with the Defense Department and the CIA in Laos to further U.S. military goals. The "Requirements Office," previously a part of the A.I.D. Mission, funded under General Technical Support, handled the distribution of military assistance supplies. The Requirements Office has now been transferred to the Defense Attache Office, where it is funded by the DoD, but A.I.D. Mission costs have not declined proportionately.

A.I.D., the CIA, and the DoD have also cooperated closely in the use of contract air services. The services of Air America, Continental Air Services, Inc., and several other minor companies are shared on the basis of a complex cost-sharing scheme.[13]

The generous funding of Air Technical Support, along with General Technical Support, preserves the elements of the A.I.D. program that have meshed most closely with the CIA and the DoD. We recommend that these projects be terminated at once as an indication of U.S. willingness to comply with the Vientiane Agreement. The necessary support personnel for projects agreed to by the U.S. and the Provisional Government of National Union should be included in the plans for each project.

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STABILIZATION
(in millions of dollars)

FY 1973 Actual	FY 1974 Estimated	FY 1975 Proposed
16.1	16.1	17.5

The Provisional Government of National Union has already agreed to accept $30 million in aid through the Foreign Exchange Operation Fund, a multilateral foreign currency pool used to support imports and stabilize the economy. The U.S. contribution to the fund, scheduled to be $17.5 million, should be approved.

RECOMMENDATIONS

As provided in the Vientiane Agreement of February 21, 1973, U.S. aid activities in Laos should be limited to projects agreed upon with the Provisional Government of National Union and designed to benefit all Laotian people, regardless of political allegiance.

Specifically, we recommend the following:

1) Termination of aid projects associated with the DoD or the CIA in Laos. Contracts with Operation Brotherhood and U.S. Mission projects of General Technical Support and Air Technical Support are the most obvious.

2) Development of projects acceptable to the Provisional Government of National Union for providing emergency relief and resettlement assistance to refugees in all parts of Laos. In addition, reconstruction assistance should be provided, especially in heavily bombed areas.

3) Contributions as planned to the Foreign Exchange Operation Fund, which the PGNU has already agreed to accept.

PL 480 PROGRAM (FOOD FOR PEACE)

Laos is the only country in Indochina with a Food For Peace program consisting entirely of donations under Title II (see discussion of Food For Peace under VIETNAM, above). This program should be continued at the projected level of $2,514,000. A distribution system should be worked out with the Provisional Government of National Union that will allow needy people in all parts of the country to benefit.

MILITARY ASSISTANCE PROGRAM
(in millions of dollars)

FY 1973 Actual	FY 1974 Estimated	FY 1975 Request
353	78	86.1

Although Laos is closer to peace than it has been for years, the Nixon Administration is now requesting more military aid to the country than was programmed in FY 1974. Because a detailed description of the FY 1975 request is not publicly available, we have based our analysis on the Defense Department's FY 1974 military aid request for Laos*, and on an April 1973 Senate staff report which discussed American plans for military assistance after the signing of the Vientiane Agreement. In examining the general components of the program, we have tried to determine their conformity with the February 1973 Agreement and its September 1973 Protocol.

MILITARY SUPPLIES AND EQUIPMENT

Article 3 of the Vientiane Agreement forbids the entry of all military materials into Laos except those stipulated by the Geneva Agreements of 1954 and 1962. These Agreements allowed the introduction of only those war materials necessary for the national defense of Laos.

The Nixon Administration has invoked the Geneva provisions to justify its continuing supply of arms to Vientiane.[13] Between April and December 1973, the Department of Defense delivered $117 million worth of military supplies and equipment to Laos.[14]

*In FY 1974, military aid to Laos was under the Military Assistance Service Funded Program (MASF). For FY 1975, it has been transferred to MAP.

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Now that the Provisional Government of National Union (PGNU) has formed, the replacement of military supplies and equipment is subject to new conditions. Article 17 of the Protocol on the Agreement states, "In cases where it is necessary to replace armaments and deteriorated war material, a discussion and unanimous decision by both parties is needed." In other words, the consent of both segments of the PGNU--the Royal Lao Government and the Patriotic Laotian Forces (Pathet Lao)--is required to determine that incoming materials are for national defense purposes and not for use by one faction against the other.

Congress should not consider approval of MAP funds for military material for Laos unless specifically and unanimously requested by both parties of the PGNU.

SUPPORT OF LOCAL FORCES

In July, 1972, the Department of Defense assumed funding responsibilities for the Meo irregular forces who were organized, trained, equipped and controlled by the CIA. Although these irregular forces have formally been integrated into the regular Lao army, they have kept their integrity as units. As of April, 1973, three months after the signing of the Vientiane Agreement, the Defense Department was still paying these units by channeling funds through the CIA.[15]

In June, 1973, the Defense Department requested $10.9 billion under the category of "Personnel Support: Subsistence" in its proposed FY 1974 military aid program for Laos.[16] Presumably, the funds ultimately programmed in this category supported the Meo forces and their dependents.[17]

Article 4 of the Vientiane Agreement and Article 16 of the Protocol require the liquidation and removal of "The 'Special Forces' organized, armed, instructed, commanded by foreign countries." Defense Department funding of these "special forces" is inconsistent with those articles.

SUPPORT OF THAI IRREGULARS

In late 1970, the U.S. began raising an army of Thai irregulars in Laos to reinforce Royal Lao Government troops in the war against the Pathet Lao.[18] By 1973, the number of Thai troops in Laos had reached 17,000.[19]

The Armed Forces Appropriation Authorization Bill for FY 1973 outlawed American support of third-country military forces in Laos. To circumvent this restriction, the Administration has maintained that the Thai mercenaries are "local forces," a justification characterized in a U.S. Senate staff report as a "transparent fiction."[20]

As of April, 1973, the Defense Department was paying Thais on the same basis as the irregular Meo forces, by channeling funds through the CIA. At that time, Senate investigators were told that the Thais would leave Laos "once the sixty day period for withdrawal begins to run following the formation of a provisional government in Laos."[21]

Support of any irregular Thai forces remaining in Laos after June 4, 1974 would violate Article 4 of the Vientiane Agreement. Congress should deny any FY 1975 Military Assistance Program (MAP) funds requested for this purpose.

SUPPORT OF U.S. MILITARY PERSONNEL

For years, the U.S. Army and Air Force Attache Offices in the American Embassy secretly directed U.S. military operations in Laos.[22] In addition, A.I.D.'s Requirements Office in the embassy administered the delivery of military items. In July, 1973, the Defense Department took over funding of the Requirements Office, requesting $3.2 million for the next fiscal year.

Article 4 of the Vientiane Agreement requires the withdrawal from Laos of foreign military personnel and dismantling of paramilitary organizations within 60 days of the formation of the PGNU. The State Department has acknowledged that 30 Americans will continue to work in the Defense Attache Office after the withdrawal deadline.[23]

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The U.S. maintains that the presence of these military personnel is not in violation of the Agreement. In the past, however, it was just such personnel attached to the U.S. Embassy who ran the secret war in Laos.[24]

Congress should not approve any FY 1975 Military Assistance Program funds requested to support operations of the Defense Attache Office in Laos. Instead, it should encourage a complete withdrawal of American military and paramilitary personnel, in the spirit of the Vientiane Agreement.

SUPPORT OF U.S. CIVILIAN CONTRACTOR PERSONNEL

The largest single item in the Defense Department's FY 1974 request for military assistance to Laos was for contractual support in the category of "Operation and Maintenance." Presumably, this budget item included the funding of U.S. civilians working for companies which have contracted to perform military or paramilitary support functions.

Just before the signing of the Vientiane Agreement, 80 percent of the U.S. contractor personnel in Laos were employed by Air America and Continental Air Services, two companies with CIA ties. Air America in particular has a long history of covert military involvement in Laos. Both companies' recent services have included indirect air support for the irregular Lao and Thai forces.[25]

After the signing of the 1973 Vientiane Agreement, the U.S. Embassy intended to reduce significantly its contracts with Air America on April 1, 1973. Staff investigators of the Senate Foreign Relations Committee were told that the Embassy had planned the reduction "as a clear signal that the United States intended to comply with the provisions of the ceasefire Agreement. On the evening of March 31, the Embassy learned that 'DepChief' in Thailand had been instructed not to reduce the Air America contract."[26]

Article 2A of the Vientiane Agreement requires foreign countries to end "all types of military activities," and Article 4 requires the dismantling of foreign paramilitary organizations. These provisions would exclude the continuation of military or paramility support functions by civilian contractors, especially of the kind performed by Air America over the past decade. Congress should not approve any FY 1975 MAP funds requested for civilian Defense Department contractors in Laos.

RECOMMENDATIONS

In keeping with Article 4 of the Vientiane Agreement and Article 17 of the Protocol on a Coalition Government in Laos, Congress should not consider approval of MAP funds for replacement of military material in Laos except in cases where they are unanimously requested by both parties in the PGNU.

In keeping with Articles 3 and 4 of the Vientiane Agreement and Article 17 of the Protocol, Congress should deny any FY 1975 MAP requests to support:

- -- local "special forces" organized by the CIA including those now integrated into the Lao Army;
- -- Thai troops;
- -- American military personnel or direct-hire personnel staffing the Defense Attache Office of the U.S. Embassy in Vientiane;
- -- American civilian contractual personnel who perform military support or paramilitary functions.

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FOOTNOTES

U.S. EXPENDITURES FOR INDOCHINA IN FY 1975 -- SUMMARY

1. U.S. Senate. Committee on the Judiciary. Subcommittee to Investigate Problems connected with Refugees and Escapees. Report. Relief and Rehabilitation of War Victims in Indochina: One Year After the Ceasefire. 1/27/74, p. v, hereinafter Senate Subcommittee on Refugees Report, 1/27/74

2. Indochina Resource Center's analysis of figures released by A.I.D. to Congresswoman Bella Abzug in a letter dated 2/20/74 shows that the U.S. contribution to the cost of maintaining the Saigon government was 86 percent in CY 1973. In Cambodia, the U.S. contributed 85 percent of total mantenance cost in FY 1973, computed from figures in A.I.D.'s FY 1975 Program Presentation.

3. Current Economic Position and Prospects of the Republic of Vietnam, Report No. 315-VN, Document of IBRD/IDA, 1/18/74, p. 2, hereinafter World Bank January 1974 Report

4. Statement of Daniel Parker, A.I.D. Administrator, before the Subcommittee on Foreign Operations of the Senate Appropriations Committee, 3/18/74, Attachment 2, Real Per Capita Imports by Vietnam: FY 1973-74 (at 1972 prices). Chart not included in hearings, though attached to his statement passed out at hearings.

SOUTH VIETNAM

Program Summary

1. These provisions are stated in Articles 2, 3, 8, 11, and 12 of the Paris Agreement.

2. On October 31, 1972, the press reported that Thieu denounced the draft agreement as "a surrender of the South Vietnamese people to the Communists." He demanded the withdrawal of North Vietnamese troops as a precondition to the signing of any agreement. See New York Times, 11/1/72, Wahington Star-News, 11/30/72, Christian Science Monitor, 11/11/1972, Washington Post, 11/25/72, Baltimore Sun, 11/27/72. As late as January 17, 1973, ten days before the signing of the Paris Agreement, the Thieu Administration still maintained this position. See Washington Star-News, 1/17/73

3. Boston Globe, 1/30/73

4. Letter from Head of the Special Office of the Ministry of General Information, denying a request to have the Paris Agreement reprinted, June 9, 1973, No. 17-GBTUDV/PHBCNT/KSAL, translated and published in Indochina Today, Indochina Resource Center, February, 1974, p. 62

5. Washington Post, 3/29/73, New York Times, 2/28/73. For reports of Saigon's air and artillery strikes against PRG villages, see CBS Evening News, 2/7/73, New York Times, 2/11/73, Newsweek, 2/19/73 and 2/26/73

6. New York Times, 2/25/73, Christian Science Monitor, 3/20/73, D. Gareth Porter, "No Peace, No Honor," Progressive, 3/74, p. 28

7. U.S. Senate Committee on Foreign Relations. Subcommittee on U.S. Security Commitments Abroad. Thailand, Laos, Cambodia and Vietnam: April 1973, June 11, 1973, p. 33, Hereinafter Thailand, Laos, Cambodia and Vietnam: April 1973

8. Washington Post, 4/4/74

9. Washington Star-News, 11/6/73

10. New York Times, 1/5/74, 1/10/74

11. New York Times, 4/20/74

12. New York Times, 5/4/74

13. Vietnam Report, a publication of the Vietnam Council on Foreign Relations, 7/15/73, p.5

14. Ibid.

15. Washington Post, 6/15/73; Tin Song, 1/22/73. For a discussion of the edicts and other legal restrictions on democratic liberties in the RVN, see NARMIC, Documenting the Post-War War, pp.101-103

16. New York Times, 2/19/74 and 1/14/74; Washington Post, 3/11/74

17. "Vietcong Said to Plan for Truce," Washington Post, 1/12/73. See also notes 18 and 19. For analyses of why the DRV and PRG originally supported the signing and implementation of the Paris Agreement, see "The View From Hanoi," New York Times, 12/6/72 and "Vietnam: A Long Way from Peace," Washington Post, 1/28/73

18. New York Times News Service, Washington Star-News, November 23, 1972. Similar orders were reported by US officials to have been in effect at the time of the signing of the ceasefire. New York Times, January 23, 1973

19. Vietnam Documents and Research Notes, issued by the U.S. Mission in Saigon, Document No. 115, September 1973, COSVN's Directive 02/73, "On Policies Related to the Political Settlement and Ceasefire."

20. Liberation News Service, "PRG Denounces Intensified US-Saigon Aggression and Violation of Ceasefire Accords," 10/13/73

21. Interviews with U.S. State Department Officials, 1/5/74

22. New York Times, 10/3/73

23. Interview with U.S. State Department Officials. The officials described a similar series of events in Quang Duc, South Vietnam in November 1973.

24. Asia and Pacific Daily Report, Foreign Broadcast Information Service, 3/22/74. "PRG Statement on Achieving Peace, National Concord in South," reprinted in Indochina Today, Indochina Resource Center, 3/74, p. 68. New York Times, 3/23/74

25. Asia and Pacific Daily Report, Foreign Broadcast Information Service, 3/25/74, p. 11

26. Interview on NBC Television, 2/25/73

27. "Vast Aid from U.S. Backs Saigon in Conting War," New York Times, 1/28/74. For further information on American-supplied ammunition to Saigon, see, U.S. House of Representatives. Committee on Appropriations. Hearings. Second Supplemental Appropriations Bill 1974, part 3, p. 564, hereinafter FY 1974 House Second Supplemental Hearings. "Data on U.S. Arms for Saigon Given," New York Times, 1/28/74, p. 9; and "Ammunition Figures Show Active Saigon Air Force," 10/3/73, New York Times, p. 3

For further discussion of U.S. contractors in Vietnam, see, NARMIC, Documenting the Post-War War, pp. 32-47.

Regarding the American financing of oil for the RVNAF, the Defense Department pays these costs through the Military Assistance Service Funded (MASF) program. Due to Congressional legislation forbidding the shipment of oil from American reserves to Indochina, the DoD and Saigon now contract for fuel from sources outside the United States. The MASF program then reimburses Saigon. The DoD's latest request for $35 million in fuel procurement for Saigon came in March 1974. See, FY 1974 House Second Supplemental Hearings, p. 543 and 777-8. Also see, Aerospace Daily, 12/14/73, p. 247 for the Defense Department's acknowledgement that despite plans at the time to end direct shipments of oil to Indochina, the U.S. would "continue to pay for the petroleum for South Vietnam and Cambodia...one way or another."

28. This was the implication of Ambassador Graham Martin's remark that "thanks to Dr. Kissinger," the Soviet and Chinese governments were no longer "resupplying them with massive weapons of war as they have continuously over the past years." See "Memoranda of Ambassador Martin," Congressional Record, 4/4/74, p. E2122

29. Vietnam Economic Data, October-December 1973, prepared by the Office of Ecoromic Policy, Agency for International Development, p. 1

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30. Report of an Economic Reconnaissance Mission to the Republic of Vietnam, Report No. 198a-VN, Document of the International Bank for Reconstruction and Development/ International Development Association, 9/28/73, p. 7; hereinafter World Bank September 1973 Report.

31. Vietnam Economic Data, op. cit., p. 26

32. U.S. Agency for International Development, FY 1975 Submission to the Congress, Indochina Postwar Reconstruction Programs, p. 6; hereinafter A.I.D. FY 1975 Congressional Presentation, Indochina

33. Senate Subcommittee on Refugees Report, 1/27/74

34. Speech by Peter Cargill, World Bank Vice President for Asia, in Paris, 10/14/73; British Broadcasting Corporation interview with Dr. Dan, Saigon's Chairman of the Interministerial Committee for Relief, Resettlement, and Return to Villages of War Victims, reported in Song Than, 4/8/74, and translated in the U.S. Embassy publication Saigon Press Review.

35. World Bank September 1973 Report, p. 11

36. Ibid., p. 15

37. See Note 2, U.S. EXPENDITURES FOR INDOCHINA IN FY 1975

38. World Bank September 1973 Report, p. 9

39. D. Gareth Porter, "Saigon Must Not Continue to Rely on Heavy U.S. Aid," Washington Post, 9/2/73

40. A.I.D. FY 1975 Congressional Presentation, Indochina, pp. 5, 7

41. Dien Tin, 3/29/74, translated in Thoi Bao Ga, April 1974, p. 4

42. Ibid.

43. Ibid.

44. Ibid.

45. Chinh Luan, 2/10/74, translated in Thoi Bao Ga, March 1974, p. 7

46. Dien Tin, 2/7/74

47. Dien Tin, 3/28/74, and Dai Dan Toc, 4/2/74, quoted from Thoi Bao Ga, April 1974, p. 4

48. Christian Science Monitor, 4/1/74, and Dien Tin, 12/18/73

49. A.I.D. FY 1975 Congressional Presentation, Indochina, p. 5

50. Current Economic Position and Prospects of the Republic of Vietnam, Report no. 315-VN, Document of the International Bank for Reconstruction and Development/International Development Association, 1/18/74, p. 34; hereinafter World Bank January 1974 Report

51. Ibid., p. 4

52. In RVN zones 3.5 million Vietnamese are unemployed, between 35,000 and 200,000 are in jail, several hundred thousand are in refugee camps, 1.2 million are in the armed forces and police, and several hundred thousand are in the government bureaucracy.

Postwar Reconstruction Assistance

1. Senate Subcommittee on Refugees Report, 1/27/74, p. 6

2. Edicts issued January 22, 1973. Published in President Thieu's semi-official newspaper Tin Song

3. Senate Subcommittee on Refugees Report, 1/27/74, p. 187

4. Testimony of Diane M. Jones on behalf of the

Friends Committee on National Legislation before the Senate Appropriations Subcommittee on Foreign Affairs, 3/28/74

5. A July 1973 memorandum from a U.S. advisor in Quang Ngai province confirms that refugees in many Return to Village camps are crowded into restricted sections of their original areas because their homes are in "insecure" territories. The advisor's recommendation for these refugees is not to allow them freedom of movement between RVN and PRG zones. Instead, he says that the RVN offers them "an option of resettlement in the south." Senate Subcommittee on Refugees Report, 1/27/74, p. 191

6. Senate Subcommittee on Refugees Report, 1/27/74, p. 100.

7. Ibid., p. 16

8. Joseph B. Treaster, "Saigon is Forcibly Moving Thousands in Delta Region," New York Times, 8/1/73, p. 3

9. Fox Butterfield, "Saigon Starting to Resettle 100,000 Refugees Far From Home," New York Times, 3/22/73; Joseph B. Treaster, "Saigon is Moving Refugees to Get Broader Control," New York Times, 7/5/73; Philip A. McCombs, "Saigon Resettling 150,000 Peasants in Devastated Quang Tri," Washington Post, 1/12/74

10. World Bank January 1974 Report, pp. 4, 43

11. Senate Subcommittee on Refugees Report, 1/27/74, p. 20

12. Philadelphia Inquirer, 5/7/73

13. Washington Post, 10/23/73

14. Senate Subcommittee on Refugees Report, 1/27/74, p. 8

15. Henry Kamm, "Horde of Ghost Refugees Get U.S. Food in Vietnam," New York Times, 3/8/73

16. Testimony of Diane M. Jones, op. cit.

17. Senate Subcommittee on Refugees Report, 1/27/74, p. 106

18. Dien Tin, 2/24/74. According to this Vietnamese newspaper, if the flow of people returning to the countryside during the past month continues at its present rate, the population of Saigon will decrease by 20 percent.

19. U.S. Senate. Committee on the Judiciary. Subcommittee to Investigate Problems Connected with Refugees and Escapees. Hearing. Relief and Rehabilitation of War Victims in Indochina, Part II: Orphans and Child Welfare, 5/11/73, p. 65

20. Ibid., p. 95

21. Ibid., p. 76

22. Senate Subcommittee on Refugees Report, 1/27/74, p. 40

23. Ibid., p. 39

24. Ibid., p. 44

25. World Bank January 1974 Report, p. 17

26. Diane M. Jones, "Winning Hearts and Minds, 1974 -- A Return to What?", American Friends Service Committee, 1974

27. Tennessee Valley Authority, South Vietnam's Fertilizer Situation and Alternatives for Production, by Harold G. Walkup, Donald Waggoner, and Conrad Kresge,

National Fertilizer Development Center, Mussel Shoals, Alabama, 1971, p. 55

28. Production figures for 1964 from Four Year Plan, 1972-75, published by the National Ministry of Economy, Saigon. Other statistics from World Bank January 1974 Report, p. 49.

29. World Bank January 1974 Report, p. 24

30. Ibid., p. 49

31. World Bank September 1973 Report, p. 12

Non-U.S. Aid and Foreign Private Investment

1. The first World Bank economic reconnaissance mission visited South Vietnam in the latter part of May 1973. The report of the mission, published September 28, 1973, is cited herein as World Bank September 1973 Report. The second World Bank mission visited South Vietnam in late November 1973. Its report, published January 18, 1974, is cited as World Bank January 1974 Report.

2. Statement of Daniel Parker, Administrator for the Agency for International Development, before the Subcommittee on Foreign Operations of the Senate Appropriations Committee, March 28, 1974. Saigon's financial crisis requires that loans from the World Bank would have to come on the easy credit terms of IDA. Describing prospective terms of financing for the RVN, the Bank's economic experts concluded that "amortization of loans would need to be 30 years including 10 years of grace and the interest rates should not exceed 3 percent." World Bank January 1974 Report, p. 34

3. Oil and Gas Journal, 5/21/73

4. Pacific Basin Reports, November 1973, p. 238

5. Far Eastern Economic Review, 7/9/73; Business Week, 3/10/73; Wall Street Journal, 2/20/73

6. Far Eastern Economic Review, 7/9/73

7. Pacific Basin Reports, November 1973, pp. 228-244

8. Far Eastern Economic Review, 7/1/72

9. Ibid.

PL 480 Program (Food For Peace)

1. GAO Report, Congressional Record, 3/28/74, p. E1817

2. According to the Senate Subcommittee on Refugees, 818,700 new refugees were generated in South Vietnam in 1973. Senate Subcommittee on Refugees Report, 1/27/74, p. 6

3. A.I.D. FY 1975 Congressional Presentation, Indochina, p. 49

4. U.S. Agency for International Development. FY 1974 Program Presentation to the Congress, p. P-9

5. Congressional Record, loc. cit.

6. Associated Press dispatch in Phoenix Gazette, 10/22/73

7. Dien Tin, 2/7/74, cited in Thoi Bao Ga, no. 44, March 1974

8. Dien Tin, 3/28/74, cited in Thoi Bao Ga, no. 46, April 1974

9. Telephone conversation with officials in the Export Marketing Service of the U.S. Department of Agriculture, 3/18/74

10. The Budget of the U.S. Government, FY 1975, Appendix, p. 137 gives an estimate of $981.0 million in total Food For Peace obligations.

Military Assistance Service Funded

1. The $1.126 billion ceiling on MASF authority in FY 1974 included military aid to Laos as well as South Vietnam. For FY 1975, military aid to Laos has been transferred from the MASF to the Military Assistance Program (MAP).

2. New York Times, 1/28/74

3. Washington Post, 6/4/73

4. FY 1974 House Second Supplemental Hearings, part 3, p. 543

5. Washington Star-News, 1/8/74

6. U.S. Senate. Committee on Armed Services. Hearings. Fiscal Year 1974 Authorization for Military Procurement, Research and Development, Construction Authorization for Safeguard ABM, and Active Duty and Selected Reserve Strengths, 93rd Congress, 1st session, February-June 1973, part 8, p. 5927; hereinafter FY 1974 Senate Defense Authorization Hearings

7. Ibid., part 6, p. 4460

8. Dan Chu, 2/8/74

9. FY 1974 Senate Defense Authorization Hearings, part 1, p. 160

10. Contracts in Support of RVN Operations, DAO RCS 4200-1, Defense Attache Office, U.S. Embassy, 3/31/74, p. 1

11. New York Times, 3/30/73, p. 17; U.S. News and World Report, 2/4/74

12. Senate Report 93-620, p. 27

13. Ibid., p. 29

14. Ibid., p. 27

15. New York Times, 6/12/73, p. 2

16. Telephone interview with State Department official, 5/7/74

17. Thailand, Laos, Cambodia and Vietnam: April 1973, p. 38

18. Bulletin of Kelly Air Force Base, San Antonio, Texas, 2/6/74; Positive Recruiting List, DoD Office of the Centralized Referral Activity, Defense Electronics Supply Center, Dayton, Ohio, 2/16/74

19. Thailand, Laos, Cambodia and Vietnam: April 1973, p. 38

20. The more than $6 billion in U.S. military supplies consisted of:

a) $5 billion as part of the long-term Vietnamization Program (Logistical Aspects of Vietnamization, 1969-72, General Accounting Office Report B-15945, 1/31/73, p. 8)

b) $1.2 billion as part of pre-ceasefire crash buildup (FY 1974 Senate Defense Authorization Hearings, p. 424)

Senate staff investigators reported 1848 aircraft in the RVN's Air Force in early 1973. Thailand, Laos, Cambodia and Vietnam: April 1973, p. 45.

21. U.S. House of Representatives. Committee on Armed Services. Hearings. Cost Escalation in Defense Procurement Contracts and Military Posture and H.R. 6722 to Authorize Appropriations during the Fiscal Year 1974, March-June 1973, part 1, p. 322

CAMBODIA

1. A.I.D. 1975 Congressional Presentation, Indochina, Chart, "Cambodia -- General Economic Data"

2. Congressional Record, 5/10/72, p. H3587

3. Norodom Sihanouk, My War with the CIA, New York, Pan-

theon, 1972, p. 269

4. Thailand, Laos, Cambodia and Vietnam, April 1973, p. 22

5. New York Times, 3/13/74

6. Washington Post, 2/6/74

7. U.S. Senate. Committee on Foreign Relations. Subcommittee on U.S. Security Commitments Abroad. Staff report. Thailand, Laos, and Cambodia: January 1972. 92nd Congress, 2nd Session, May 8, 1972, p. 8

8. Thailand, Laos, Cambodia and Vietnam: April 1973, p. 25

9. Ibid., p. 26

10. Senate Subcommittee on Refugees Report, 1/27/74, p. 88

11. Associated Press dispatch, St. Louis Post-Dispatch, 3/20/74; Baltimore Sun, 3/29/74

12. U.S. General Accounting Office. Comptroller General. Report to the Congress. U.S. Assistance to the Khmer Republic (Cambodia). Report No. B-169832, 10/10/73, p. 13; hereinafter GAO Report, Cambodia

13. U.S. Senate. Committee on Foreign Relations. Hearings to Amend the Foreign Assistance Act of 1961 and to Provide Additional Foreign Assistance Authorizations, 91st Congress, 2nd Session, December 10 and 11, 1970, p. 9

14. A.I.D. FY 1975 Congressional Presentation, Indochina, Chart, "Cambodia -- General Economic Data"

15. New York Times, 4/28/74. A.I.D., in its FY 1975 Congressional Presentation, gives a figure of 257 percent for inflation in CY 1973.

16. New York Times, 4/28/74

17. U.S. Senate. Committee on Appropriations. Hearings. Foreign Assistance and Related Programs Appropriations, Fiscal Year 1974. 93rd Congress, 1st session, p. 1286, hereinafter FY 1974 Senate Foreign Assistance Appropriations Hearings

18. A.I.D. FY 1975 Congressional Presentation, Indochina, p. 52

19. Congressional Record, 2/26/74, p. E921

20. Thailand, Laos, Cambodia and Vietnam: April 1973, p. 23

21. GAO Report, Cambodia, 10/10/73, p. 76

22. FY 1974 Senate Foreign Assistance Appropriations Hearings, p. 1103

23. Ibid., p. 1109

24. A.I.D. FY 1975 Congressional Presentation, p. 57

25. Congressional Record, 4/8/74, p. S5371

26. U.S. Agency for International Development. FY 1975 Submission to the Congress, Summary, April 1974, "Bilateral U.S. Economic Assistance, Military Assistance, Credit Sales Program Proposed for FY 1975", Chart, p. 8

27. FY 1974 Senate Foreign Assistance Appropriations Hearings, p. 1803

28. Ibid., p. 1302

29. Washington Post, 6/2/73

30. Washington Post, 8/2/73

31. Thailand, Laos, Cambodia and Vietnam: April 1973, p. 31

32. Thailand, Laos, Cambodia and Vietnam, April 1973, p. 31

33. GAO Report, Cambodia, p. 12

34. Washington Post, 3/13/74

35. The Guardian, 4/3/74

LAOS

1. See D. Gareth Porter, "Subverting Laotian Neutrality," in Laos: War and Revolution, Ed. Adams and McCoy, Harper and Row, 1970, pp. 184-185; Bernard Fall, Anatomy of a Crisis, Doubleday, 1967, p. 207; Hugh Toye, Laos, Oxford University Press, 1968, p. 1 p. 177

2. The figure of over 2 million tons of bombs dropped on Laos is from Department of Defense statistics quoted in Congressional Quarterly, 8/11/73.
As early as 1971, William Sullivan, former U.S. Ambassador to Laos (1964-1969) estimated the number of refugees generated in Laos as 700,000 (U.S. Senate. Committee on the Judiciary. Subcommittee to Investigate Problems Connected with Refugees and Escapees. Hearings. War-Related Civilian Problems in Indochina. Part 2: Laos and Cambodia, pp. 39 and 61)
A survey conducted by the U.S. Information Service in June-July 1970 indicated that the great majority of the refugees fled because of American bombing (Ibid., p. 15)

3. "Plain of Jars: Social Changes Under Five Years of Pathet Lao Administration," Asia Quarterly, 1971/1, Universite Libre de Bruxelles, Belgium, p. 36

4. U.S. Senate. Committee on Foreign Relations. Subcommittee on United States Security Agreements and Commitments Abroad. Hearings. United States Security Agreements and Commitments Abroad. Kingdom of Laos. 91st Congress, 1st Session. Part 2. October 20, 21, 22 and 28, 1969, p. 473; hereinafter Senate Hearings on Laos, 1969; see also the Subcommittee's Hearing Aid Activities in Laos (Secret Hearing Held on April 13, 1972; Sanitized and Printed on July 30, 1972), p. 3

5. Fred Branfman, "Presidential War in Laos, 1964-1970," in Adams and McCoy, op. cit., pp. 278-279.

6. U.S. Senate. Committee on Foreign Relations. Subcommittee on U.S. Security Agreements and Commitments Abroad. Staff Report. Laos: April 1971, p. 1; hereinafter Laos: April 1971

7. New York Times, 5/1/74

8. U.S. Senate. Committee on the Judiciary. Subcommittee to Investigate Problems of Refugees and Escapees. Staff Report. Refugee and Civilian War Casualty Problems in Indochina, September 28, 1970, p. 23

9. Hearing, Aid Activities in Laos, op. cit., p. 23

10. Thailand, Laos, Cambodia and Vietnam: April 1973, p. 21

11. Senate Subcommittee on Refugees Report, 1/27/74,

12. A.I.D. FY 1975 Congressional Presentation, Indochina, pp. 71, 72

13. Washington Post, 2/6/73

14. FY 1975 Senate Defense Authorization Hearings, part I, p. 304-5

15. Thailand, Laos, Cambodia and Vietnam: April 1973, p. 13

16. U.S. House of Representatives. Committee on Appropriations. Hearings. Foreign Assistance and Related Agencies Appropriations for 1974

17. Thailand, Laos, Cambodia and Vietnam: April 1973, p. 13. According to this report, the DoD monies not only supported the troops themselves, but also the refugees who were their dependents.

18. Ibid., p. 14 and Christian Science Monitor, 5/21/73

19. Thailand, Laos, Cambodia and Vietnam: April 1973, p. 14

20. Ibid., p. 15; Christian Science Monitor, 5/21/73

21. Ibid.

22. Laos: April 1971, p.2; see also Senate Hearings on Laos, 1969, pp. 455-469

23. May 13, 1974 telephone conversation with an official in the State Department's Laos and Cambodia office.

24. See Note 22. See also New York Times Magazine, 10/29/72

25. Thailand, Laos, Cambodia and Vietnam: April 1973, p.21

26. Ibid., p.17