

MMITTEE PRINT

UNITED STATES AID TO INDOCHINA

Report of a Staff Survey Team to South Vietnam, Cambodia, and Laos



JULY 1974

Printed for the use of the Committee on Foreign Affairs

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1974

36-879

BEST AVAILABLE

COMMITTEE ON FOREIGN AFFAIRS

THOMAS E. MORGAN, Pennsylvania, *Chairman*

CLEMENT J. ZABLOCKI, Wisconsin	PETER H. B. FRELINGHUYSEN, New Jersey
WAYNE L. HAYS, Ohio	WILLIAM S. BROOMFIELD, Michigan
L. H. FOUNTAIN, North Carolina	H. R. GROSS, Iowa
DANTE B. FASCELL, Florida	EDWARD J. DERWINSKI, Illinois
CHARLES C. DIGGS, Jr., Michigan	VERNON W. THOMSON, Wisconsin
ROBERT N. C. NIX, Pennsylvania	PAUL FINDLEY, Illinois
DONALD M. FRASER, Minnesota	JOHN H. BUCHANAN, Jr., Alabama
BENJAMIN S. ROSENTHAL, New York	J. HERBERT BURKE, Florida
JOHN C. CULVER, Iowa	GUY VANDER JAGT, Michigan
LEE H. HAMILTON, Indiana	ROBERT H. STEELE, Connecticut
ABRAHAM KAZEN, Jr., Texas	PIERRE S. DU PONT, Delaware
LESTER L. WOLFE, New York	CHARLES W. WHALEN, Jr., Ohio
JONATHAN B. BINGHAM, New York	ROBERT B. (BOB) MATHIAS, California
GUS YATRON, Pennsylvania	EDWARD G. BIESTER, Jr., Pennsylvania
ROY A. TAYLOR, North Carolina	LARRY WINN, Jr., Kansas
JOHN W. DAVIS, Georgia	BENJAMIN A. GILMAN, New York
OGDEN H. REID, New York	TENNYSON GUYER, Ohio
MICHAEL HARRINGTON, Massachusetts	ROBERT J. LAGOMARSINO, California
LEO J. RYAN, California	
CHARLES WILSON, Texas	
DONALD W. RIEGLE, Jr., Michigan	

MARIAN A. CZARNECKI, *Chief of Staff*

JOHN J. BRADY, *Staff Consultant*

JOHN H. SULLIVAN, *Staff Consultant*

FOREWORD

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D.C., July 25, 1974.

This report has been prepared for the Subcommittee for Review of Foreign Aid Programs of the Committee on Foreign Affairs by a staff survey team comprised of Messrs. John J. Brady and John H. Sullivan, staff consultants to the Committee on Foreign Affairs.

The findings contained in this report are those of the staff survey team, and do not necessarily reflect the views of the members of the Committee on Foreign Affairs.

THOMAS E. MORGAN, *Chairman.*

LETTER OF TRANSMITTAL

JULY 25, 1974.

HON. THOMAS E. MORGAN,
*Chairman, Committee on Foreign Affairs,
House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: There is transmitted herewith a report of a staff survey team composed of the undersigned staff consultants to the Committee on Foreign Affairs. The team visited sites in Indochina and elsewhere in the Far East and Pacific between April 15 and May 10.

The purpose of our mission—and the subject of this report—was to undertake an on-the-spot review of current conditions in Vietnam, Cambodia, and Laos, particularly as they relate to U.S. policies and programs of economic and military assistance to those countries.

In fulfilling this assignment, we spent 10 days in Vietnam, visiting each of the four military regions, 5 days in Cambodia, and 4 days in Laos, with corollary stops in Japan, Hong Kong, and CINCPAC in Hawaii. In each of the three countries, we met with the American Ambassadors and their staffs, Agency for International Development (AID) mission personnel, and U.S. military authorities. We also held numerous discussions with host government officials, representatives of international organizations and voluntary agencies, American newsmen, and other individuals with information to impart.

In each of the three countries of Indochina we visited, the American Embassy cooperated fully in arranging a full schedule of meetings and activities according to our wishes. Included were a number of field trips into outlying areas of the countries to view refugee camps, resettlement sites, and AID projects in agriculture and fisheries.

The results of our investigations were enhanced by briefings and meetings held in Washington, both before and after the mission, with officials of the Departments of State and Defense, AID, and the General Accounting Office, and with private experts.

To all those persons who assisted us in gathering the information which is the basis for the report, we wish to express our recognition of their help and our deep appreciation.

JOHN J. BRADY, *Staff Consultant.*
JOHN H. SULLIVAN, *Staff Consultant.*

UNITED STATES AID TO INDOCHINA

INTRODUCTION

Approximately 1½ years have elapsed since the Agreement on Ending the War and Restoring Peace in Vietnam was signed in Paris. During that period all American ground combat troops have been removed from South Vietnam, and U.S. air actions terminated over Vietnam, Laos, and Cambodia.

As a result it was possible for the President in his April 24 message to Congress on foreign aid to note that the "longest war in our history" had been ended and that no American troops were serving in combat for the first time in more than a decade.

And yet in this "postwar" era, the war rages on in Indochina.

In Cambodia, the fighting continues to be heavy as the Khmer Communists attempt to capture surrounded provincial towns and disrupt lines of communication into Phnom Penh.

In Vietnam, the level of conflict has diminished from the intensity of 1972, but continues to produce significant destruction and casualties. In 1973, for example, the Government of Vietnam suffered losses of 13,000 killed and 55,000 wounded. The other side is reported to have sustained 49,000 killed.

Only in Laos, where a coalition government has been established has there truly been a cessation of hostilities and a semblance of accord between the antagonists.

The state of continuing conflict in Indochina raises the issue of the future U.S. role in that part of the world and of the levels of U.S. aid to the countries of Indochina.

The executive branch has requested Congress to authorize enhanced levels of economic and military aid to Indochina. A significant portion of that aid is contained in the Foreign Assistance Act of 1974, which is within the jurisdiction of the Committee on Foreign Affairs.

The fiscal year 1975 request for Indochina in that bill includes:

	<i>Million</i>
Indochina postwar reconstruction.....	\$943.3
Cambodia military assistance program.....	1,390.0
Laos military assistance program.....	90.0
Total.....	1,423.3

¹ Figure contains supply operations costs.

With regard to continued U.S. aid to Vietnam, critics argue that President Thieu and the Government of Vietnam (1) have stifled political opposition, (2) have refused to deal with the Provisional Revolutionary Government in accordance with the cease-fire agreements, (3) have refused to permit elections with Communist participations, and (4) have failed to end hostilities. They contend that conditions can only be remedied by termination or sharp reduction in U.S. aid.

U.S. officials in Saigon disagree. It is their view that (1) President Thien has the overwhelming support of the population and that he has been able to establish a strong political base throughout the country; (2) the political opposition in South Vietnam, which is present and active, has been unable to form any kind of a coalition which would offer an acceptable alternative; and (3) both sides are guilty of violating the terms of the cease-fire, particularly the North Vietnamese who have infiltrated over 100,000 troops and substantial amounts of equipment and supplies into South Vietnam since the cease-fire. Consequently, they believe that U.S. aid should be continued at present or increased levels.

This report is an attempt to provide the committee with an independent assessment of the situation in Indochina as it relates to U.S. aid. The report is divided into three parts, one for each of the three Indochina countries visited. In each the major findings and conclusions are stated in a sentence or two, with several paragraphs of background and explanation following.

VIETNAM

1. As long as the current level of hostilities continues in South Vietnam, its survival depends upon substantial economic and military assistance from the United States.

The presence of the substantial military threat posed by the large number of North Vietnamese troops in South Vietnam, and their demonstrated willingness to use those forces in offensive operations, require the Government of South Vietnam to maintain a military establishment of 1.1 million which is disproportionate to its population or resources.

This places an almost intolerable burden on an economy that is already weakened by years of war, the Communist invasion of 1972, and the loss of almost \$235 million annually as a result of the U.S. troop withdrawal.

There were great hopes when the cease-fire became effective in January 1973 that peace would enable the Government of South Vietnam (GVN) to make the transition from a war-survival-type economy to one of reconstruction, development, and eventual self-sufficiency.

Those aspirations have not been realized. For, in addition to a continuation of the war, the year 1973 was economically disappointing. A sustained business recession, accelerating domestic inflation of about 50 percent during the year, and a dramatic increase in world prices of fertilizer, foodstuffs, and petroleum combined to depress the economy. The physical level of imports fell to 65 percent of the peak year of 1969, in spite of a 3.5 million growth in population.

Unemployment has increased and incomes have declined.

As a result, South Vietnam faces a difficult time economically in 1974-75.

The political position of the Government of South Vietnam has been strengthened since the cease-fire, largely as a result of political support and economic and military assistance provided by the United States. And in spite of a substantial military threat in the South it is unlikely that the North Vietnamese can win a military victory. Rather it is likely that the Communists will probe for political and military soft spots and attack selectively while attempting to disrupt the economy of South Vietnam which is the area of greatest danger to the political stability of the Saigon government.

The war may, therefore, have entered a new stage: i.e. a battle for the economy of South Vietnam. If the level of hostilities does not increase, the Government of South Vietnam will be able to devote more resources to reconstruction and development, thus improving its chances of winning this phase of the war.

Success, however, depends upon external assistance. Since adequate assistance from other countries is not likely, the major share of the resources, economic and military, will have to be provided by the United States. The question is, How much and for how long?

2. Notions of "economic self-sufficiency" for South Vietnam and a virtual end to U.S. economic aid programs by 1977 appear unrealistic and premature, even if aid funds are significantly increased for the next 2 years.

Some U.S. authorities in Saigon, including the U.S. Ambassador, believe that South Vietnam is on the verge of an economic "takeoff" similar to those which have occurred in South Korea and Taiwan.

In order to launch South Vietnam's economy, they have strongly recommended a massive infusion of economic assistance from the United States, totaling about \$850 million during each of the next 2 years. By fiscal 1977, they contend, Vietnam's economy will be strong enough to permit the United States to phase out economic aid almost completely.

In fact, the U.S. Ambassador told the study team that he would not object to a legislated automatic cutoff of economic aid to Saigon for fiscal year 1977, if sufficient funds were forthcoming from Congress in the prior 2 years.

This optimistic projection is based on a variety of factors: Vietnam is relatively well endowed with natural resources, particularly timber and fisheries—with a prospect of oil. The population is generally hard-working, highly motivated toward literacy and education, and disciplined by Asian standards. Substantial infrastructure left from the war remains to be used. The country has many rich rice-growing areas with prospects for export sales.

Granting the many conditions favorable to growth in South Vietnam, the "takeoff" theory must be questioned on several grounds:

(a) To the extent optimism is based on the discovery of oil in or around Vietnam, it is highly speculative. Even if oil is found, at least 5 years could elapse before petroleum exports become a significant foreign exchange earner.

(b) To discuss the economy of South Vietnam without reference to the security situation is impossible. An economic spurt would require that hostilities be considerably reduced from current levels. Such a development is not now in prospect.

(c) The population growth rate of Vietnam is roughly 3 percent annually. At that rate there are 600,000 new mouths to feed annually. One projection indicates that within 6 years, even with planned enhanced agricultural production, the Mekong Delta region will be able to feed only its own people, with little left for the rest of Vietnam or for export.

Realistically, it would appear that rapid economic self-sufficiency for South Vietnam is not likely. As a matter of fact both the Agency for International Development in Washington and the World Bank estimate that substantial foreign assistance will be needed over the next 5 or 6 years.

According to the data contained in the fiscal year 1975 Congressional Presentation Book, AID estimates that it may be possible to phase out grant-type economic assistance in about 5 years.

A recent World Bank mission report on "The Current Economic Position and Prospects of the Republic of Vietnam" also concludes that South Vietnam will require substantial grant assistance for the foreseeable future.

Assuming Vietnam export gains of 20 to 30 percent per annum, the World Bank report concludes that "it will be 1980 before a foreign aid level much below the \$670 million mark anticipated by the Government for 1974 will be consistent with a reasonable amount of economic recovery and growth * * * but it seems clear that South Vietnam will need, in the next few years, at least, more external support than the \$560 million that was available in 1973, if much progress on the reconstruction-cum-development front is to be achieved. Vietnam presently lacks creditworthiness for aid on anything but the softest possible terms."

3. A reasonable amount of economic recovery and growth can be funded in Vietnam for substantially less than is being requested for fiscal 1975.

For fiscal year 1975 the executive branch has requested \$750 million for South Vietnam. Originally, the fiscal year 1975 foreign assistance request was to have been \$600 million. Before the preparation of the draft congressional presentation and prior to submission of the legislative request to the Congress, the U.S. Embassy in Saigon asked for an additional \$250 million for South Vietnam based upon the theory that a massive short-term infusion of aid would result in an economic takeoff. Subsequently, Hon. Daniel Parker, Administrator, Agency for International Development (AID) and Robert Nooter, Assistant Administrator, Bureau for Supporting Assistance, AID, undertook a survey of the situation in Indochina. The fiscal year 1975 program for South Vietnam was then increased from \$600 to \$750 million.

The funds are to be used as follows:

	Fiscal year 1973 actual	Fiscal year 1974 estimated	1st fiscal year 1975 proposal	Final fiscal year 1975 proposal	Difference between 1st and final
Indochina postwar reconstruction	312.3	399.0	600	750.0	150.0
Humanitarian assistance	40.0	85.0	105	135.0	30.0
Reconstruction and development	29.7	15.0	100	227.7	127.7
Food and nutrition			200	185.0	-(15.0)
Industrial production			150	155.0	5.0
Transportation and miscellaneous			45	47.3	2.3
Commercial import program	226.2	234.0			
Technical support	16.4	15.0			
Development loans		50.0			
Population planning and health	(.8)	(.8)		(1.0)	

In addition it is estimated that non-U.S. assistance from Japan, France, West Germany, Australia, and the Asian Development Bank will approximate the 1973 level of \$80 million.

According to the World Bank report, the Government of South Vietnam anticipates about \$670 million external assistance in 1974. This is \$80 million below the amount requested by the executive branch and includes assistance from other donors. It is therefore possible that the requested figure could be reduced by \$160 million to \$590 million—without serious repercussions to the economic stability of South Vietnam.

At the same time, such an aid amount would not entail some of the potential risks of substantially larger amounts; that is, it would not increase Vietnam's dependency on outside aid and thus reverse the "weaning away" process, nor would there be a problem of the useful absorption of the funds in the Vietnamese economy.

4. To offset any adverse political implications of a significant reduction in requested economic aid to Vietnam, the Congress might wish to consider a 2-year authorization.

The U.S. Ambassador to South Vietnam believes that the levels of U.S. assistance are a significant signal to Hanoi about the firmness of American commitments to the Government of South Vietnam.

According to that view, if the levels of U.S. aid are increased substantially over fiscal year 1974 amounts, it would tell the North Vietnamese that the United States remains unwavering in its support of the Thieu government. They may become discouraged enough to cease hostilities. On the other hand, if aid requests are cut substantially by Congress, there is danger that Hanoi will read weakness of resolve and be emboldened to an all-out attack.

This kind of logic and linkage is troublesome. The United States should never put itself in a position in which the levels of its foreign assistance programs are synonymous with the degree of its commitment. The United States would be no less committed to South Vietnam at an aid level of \$590 million than it would be at \$850 or \$750 million.

Since the "signals" argument is likely to be used in opposition to any substantial congressional reductions in aid to Vietnam, the Committee on Foreign Affairs might consider recommending to the Congress a 2-year authorization of economic aid to Vietnam.

A 2-year authorization would have several advantages:

(a) It would offset the argument that Congress by substantial reductions in the administration's fiscal year 1975 request for South Vietnam would embolden the North Vietnamese and retard the ultimate end of the war.

(b) It would signal the North Vietnamese that the United States is not preparing to "walk away" from South Vietnam in the near future.

(c) It would permit more comprehensive, medium-range economic planning on the part of Saigon.

5. Consideration should be given to permitting the Overseas Private Investment Corporation (OPIC) to guarantee some U.S. private investment in South Vietnam, but with a ceiling on individual investments.

If the United States is going to continue to provide economic and military assistance to South Vietnam it makes no sense to exclude incentives for private American companies to invest in that country. The stimulation of private investment is needed to help South Vietnam's movement toward economic self-sufficiency as well as to cushion reductions in grant assistance programs.

There is substantial interest in South Vietnam on the part of several U.S. investors who would like to use OPIC's programs, providing such programs were available.

France and Japan have instituted programs to provide investment insurance on a limited scale in South Vietnam. It is incongruous that

the United States, which is the largest contributor of foreign assistance to that country, does not encourage private investment. There are very little data available on the French program. The Japanese, however, have limited investment coverage to projects of \$2 million in areas where security does not present a problem. This is a sound approach.

The House Foreign Affairs Committee recently took action to permit OPIC guarantees to be issued for investment in Indochina. In the report accompanying H.R. 13973, Overseas Private Investment Corporation Amendments Act of 1974, the committee approved the following recommendations from an earlier report prepared by the Subcommittee on Foreign Economic Policy:

In keeping with the general policy of trying to facilitate the rebuilding of war-torn Indochina, the subcommittee believes that prudent exercise of OPIC's authority should be permitted in this area. However, in view of the continuing political, economic, and military uncertainties in Indochina, the subcommittee directs OPIC to consult with the relevant committees of the Congress to every extent possible concerning its plans and operations in South Vietnam, Laos, and Cambodia.

The full committee stated that the foregoing should be the guideline for OPIC's activity in Indochina and that OPIC should provide the committee with formal documentation of its operations in Indochina, including plans for its overall program and specifics on individual investment projects.

Given the security situation, however, it would not be prudent for the United States to encourage excessive investment, or to commit itself to guaranteeing large multi-million-dollar projects in high security risk areas.

There should, therefore, be a ceiling on both the total amount of OPIC guarantees in South Vietnam and perhaps a limitation of \$10 million on each individual investment. Documentation as called for in the committee report should be made mandatory.

OPIC should be permitted to operate in Laos as well, but only under the limitations recommended above. Because of the poor security conditions currently existing in Cambodia, OPIC should be precluded from activities there.

6. The Communists' Provisional Revolutionary Government (PRG) in South Vietnam is virtually a shell since it controls only a small percentage of the population; its military arm, the Vietcong, has been weakened considerably over the years; and its survival appears to be dependent upon the continued presence of North Vietnamese military forces. It remains, however, an important factor to be reckoned with.

It is widely believed that the Vietcong (VC) infrastructure, which was almost completely destroyed during the 1968 Tet offensive, has not recovered. There are no local units worthy of the name, although the Vietcong are capable of small-scale guerrilla activity with support from the North Vietnamese Army. As a consequence the VC has embarked upon a program of terrorism and assassination—a tactic which has alienated most of the population including many of their former supporters.

According to U.S. sources 94 percent of the population of South Vietnam live in areas controlled by the Government. Five percent live in contested areas and less than 1 percent in areas where a viable PRG structure exists.

This is close to the Communists' claim that they actually control about 12 percent of the population.

The weakness of the Vietcong and hence the PRG in South Vietnam, was substantiated in a Communist document which was captured in February 1974. A directive on "political reorientation and training," the document concluded that the "liberated areas" of South Vietnam are largely unpopulated, the Communist party structure weak, and the guerrilla movement almost nonexistent.

Based upon this, and other evidence. United States and Vietnamese officials are convinced that there would be no war or insurgency in the South if it were not for the participation of North Vietnamese military forces.

The PRG, however, remains a factor to be reckoned with. Backed by the North Vietnamese war machine, it can be a source of harassment and sabotage against the GVN to cripple Saigon's efforts at rebuilding its war-torn society and moving toward economic development.

For example, the VC has made resettlement villages a particular target of hostility, recognizing the importance of this program to reconstruction efforts. One site visited by the study team had been hit by mortars a short time before; villagers almost daily were falling victim to boobytraps while clearing brush.

Because relatively few forces are required to carry on terrorism, such activities by the PRG and VC can be expected for the foreseeable future—particularly directed at efforts to build an agricultural and industrial base for development.

Politically, too, the PRG is important. Its status recognized in the Paris agreements, it will continue to try to score diplomatic victories at Saigon's expense, and to discredit the Thieu regime by stories of GVN repression, political prisoners, and unpopularity.

7. Claims that 200,000 political prisoners are being held by the GVN are vastly inflated, but of the estimated 35,000 persons believed to be held in South Vietnamese prisons, some—exact numbers are impossible to cite—must be considered within a "political prisoner" category.

One of the most difficult political problems facing the GVN is the allegation that some 200,000 Vietnamese citizens are being held in prison for political reasons.

This charge has gained great currency throughout the world and has frequently been used by its political antagonists to flog the Saigon government.

The GVN, on the other hand, denies that it holds any individuals for political reasons.

In a stated effort to substantiate or refute allegations of political prisoners, the U.S. Mission in Saigon has conducted what appears to be an objective and reasonably comprehensive survey of the prison population in South Vietnam. The survey concluded that the total prison and detention population in South Vietnam in July-August 1973 (time frame of the survey) was about 35,000. According to the

report, "this figure comprises prisoners of all types, not just 'political prisoners' however defined."

The U.S. Embassy has not, however, attempted to ascertain how many among the 35,000 might be considered political prisoners. It has generally accepted the GVN line about the nonexistence of such prisoners. When names of alleged political detainees are given to the Embassy, they are checked out with the Ministry of Interior which runs the prison system. The Ministry's replies are accepted as the definitive word and no further checking is done.

The allegation about 200,000 political prisoners apparently originated with a Redemptorist priest, Father Chan Tin, who is a critic of the Saigon government and head of a "Committee To Reform the Prison System."

He and other opponents of the government allege that many of the prisoners have been arrested without criminal cause, tortured, and detained without trial.

The survey team met with Father Chan Tin at his church in Saigon. Present were five relatives of prisoners who claimed that their family members had been arrested solely because of opposition to the government.

To discover the full truth about political prisoners in South Vietnam is a very difficult task. The search is not fulfilled by accepting the unverified figures of government opponents, nor by visiting Con Son Prison under GVN auspices in order to declare that no political prisoners are being held there.

Within the limited time and opportunities available to the survey team, it is possible to make the following observations:

(a) The task of hiding 200,000 political prisoners (1 percent of the population—not to mention feeding and housing them—would be impossible in a country with the size and characteristics of Vietnam.

(b) Since each Vietnamese can conservatively be said to have at least 5 relatives, at least 1 million people (or 5 percent of the population) would be related to someone held as a political prisoner. Yet Father Chan Tin introduced us only to five self-declared relatives of political prisoners, two of them already internationally known cases.

(c) On the basis of information obtained from various sources—official as well as nongovernmental in South Vietnam—it appears that there are some Vietnamese citizens being held who would fit even narrow definitions of "political prisoners."

In an effort to clarify the issue, it would seem advisable for the Government of South Vietnam to agree to permit an impartial international group, either the International Committee of the Red Cross or some ad hoc study team to inspect all of the prisons and interview the prisoners. This is the only way to either prove or disprove the allegations being made against the government.

While such a study could be objectionable on the grounds that it violates the sovereignty of South Vietnam, the worldwide political advantages to the GVN could well outweigh the disadvantages of such a study. The Embassy should make the GVN aware of the great concern in the United States over the prisoner issue, in order to encourage possible action along the above-described lines.

Another frequently made claim is that the prison system in South Vietnam is supported with funds provided through the U.S. foreign assistance program.

In the past that was true. The United States has contributed substantially to police and related programs over the years. Total amounts expended through March 1974 are: \$28.2 million for public safety telecommunications; \$67.5 million for national police support, and \$1.7 million for corrections centers—for a grand total of \$97.4 million.

Such aid is, however, being completely terminated pursuant to the provisions of sections 112 and 801 of the Foreign Assistance Act of 1973 and section 112 of the Foreign Assistance and Related Agencies Appropriations Act of 1974.

Although some U.S. officials in Saigon voice their disapproval of the congressional action, evidence is that they are complying with the law and that U.S. support for police and prisons in South Vietnam is in the final phase of termination.

8. Corruption is still too prevalent in South Vietnam, and efforts to deal with it have not met with great success. Embassy officials admit that they do not know as much about the extent of this corruption as they should.

Corruption in South Vietnam is a serious problem with a long history. Conditions breeding corruption include inadequate salaries of public servants, inadequate training or screening of military leaders and civil servants, a tradition of personal favoritism and nepotism, and the same tolerance toward "squeeze" that is found in most less developed countries. The situation in South Vietnam has been compounded by war which by its very nature fosters corruption.

For example, village leaders are forced to pay for various services which should be free; i.e., protection and land clearance. In one resettlement village, an American Catholic priest who had volunteered to live and work there, complained that "the Father in charge of our village paid the forest officials just 2 days ago in spite of my warnings not to. The last priest I worked with, a strong man, paid whenever he had to. Everyone pays, pays, pays almost unbelievably."

The South Vietnamese Government is aware that corruption exists and has increased its efforts to deal with the problem. There have been some small successes. In Danang, for example, irregularities in the government's refugee relief program were uncovered and eliminated in late 1973. More recently a large smuggling ring was discovered in Saigon and several of those involved—reportedly including some field grade military officers—were arrested.

When asked about the problem of corruption, however, sources at the U.S. Embassy stated that although they knew that corruption existed there was no hard evidence available on high-ranking government individuals who might be involved.

The U.S. Embassy has also reported "that close auditing and end-use checks have demonstrated that virtually all of the funds and commodities in our various assistance programs are being used for the designated purpose and reaching the appropriate recipients." The U.S. Mission further believes that "the Government of Vietnam is making a serious and effective effort to deal with this familiar problem."

In view of the fact that the United States contributes substantial military and economic assistance to South Vietnam, every effort should be made to encourage the Government of South Vietnam to take more

rigorous measures to determine the extent of corruption, to identify those individuals involved, and to remove them from positions of responsibility.

9. Despite reports to the contrary, the Government of South Vietnam has made a legitimate, and at least initially, successful effort to resettle the bulk of more than 1 million refugees under conditions of reasonable individual freedom of action and potential economic self-sufficiency.

The Government of South Vietnam is placing maximum emphasis on programs to assist families displaced by the war either to return to their home villages or to resettle on new lands. Assistance includes transportation, temporary shelter, land clearance, house construction allowance, food allowances until the first harvests, and allowances for agricultural equipment and household needs.

Since 1964 nearly 5 million refugees have registered with the government. More than 1.5 million have been returned to their original villages and more than 2 million have received full resettlement assistance. Another 213,000 are still receiving return-to-village allowances, while 215,000 are receiving resettlement benefits. Assistance has also been provided at temporary camps to over 1 million refugees generated during and after the 1972 Communist offensive.

At the time of the cease-fire there were at least 620,000 people in refugee camps throughout South Vietnam. By mid-April 1974 this figure had been reduced to less than 150,000 and it is anticipated that by the end of June 1974 all of the in-camp refugees will either be returned to their villages or settled in new areas. The only exception will be approximately 13,000 Cambodian refugees in Kien Phong and Kien Giang.

During 1974-75, plans are to resettle an additional 264,000 displaced persons who in past years were able to survive outside of refugee camps because of employment provided by U.S. military forces, but who have lost their means of livelihood as a result of the U.S. withdrawal.

Critics of the refugee program have charged that the refugee is only a pawn in the struggle for control of Vietnam and that in some cases the South Vietnamese Government uses them to extend its control into contested areas. Others allege that the refugees are denied freedom of movement in violation of the terms of the cease-fire agreements.

During its stay in Vietnam the study team had the opportunity to visit refugee camps and resettlement sites in all four military regions. We were unable to verify the validity of any of the above charges. Rather, we observed:

(a) Most of the sites were not ringed with barbed wire, as has sometimes been charged. The one or two which had barbed wire were in areas subject to VC attack; the objective clearly was protection rather than restriction.

(b) Freedom of movement at the camps was evident. For example, commercial buses serve several of the sites we visited and the refugees could be seen moving in and out of the camp at will. In areas like Quang Tri, where PRG areas are not far away, anyone determined to join the other side could merely walk west. Apparently few do.

(c) Complaints that resettlement sites encroach on PRG or contested areas are true only if one concedes all uninhabited land to the other side. In many cases the resettlement sites are on cleared jungle lands, which no doubt once provided cover for guerrilla activities.

In the main, the situation in the resettlement villages was impressive. Land was being cleared, houses and schools were being built, market-places had been created, medical facilities were in place, sawmills and charcoal kilns were in operation.

The Government of South Vietnam has a vested interest in solving the refugee problems satisfactorily. The program is not only important for humanitarian reasons but it is essential for continued political stability. A large proportion of the population, unable to earn a decent living, could become a catalyst for action against the government.

For fiscal year 1975 the Agency for International Development has programed a total of \$76.5 million for war victims relief and rehabilitation in South Vietnam. In fiscal year 1974, the United States put \$78.4 million into this program.

In addition, the Government of Vietnam has budgeted 41.5 billion piasters for calendar 1974. This is a slight reduction from the 42.7 billion piasters that was budgeted for such programs in calendar 1973.

Once the land has been settled and pending harvest of the first crop, AID provides a 7-month rice ration to the settlers. In addition, the funds which are administered by the capable and dynamic Dr. Phan Quang Don, director of the land development and hamlet building program, are also used to provide temporary shelter, sheets of roofing, a plot of land of 500 square meters, house and garden plot, up to 3 hectares of land after it has been cleared, vegetable seed, handtools for small work, and a subsistence allowance of 20 piasters per day for 6 months.

One serious drawback is that the settler could lose the land if he does not get a crop planted within 6 months. In some areas land clearance has been slow and it is unlikely that the ground will be ready before the rainy season starts. Dr. Don assured the survey team that no one would lose his land because of this situation and that subsistence assistance would be extended until the farmer could sustain himself from his own production.

The resettlement efforts, while initially successful, clearly face some serious problems. Some of the land is completely inadequate or only marginally arable. Land-clearing operations have been much slower than planned with the result that many fewer refugees will get in a rice crop this year. Living conditions in some sites are overcrowded, unsanitary, or suffer from a lack of water. Security in some instances is inadequate or nonexistent.

As a result, some refugees may require resettling a second time. Even greater challenges are posed by the urban unemployed who are to be relocated to resettlement sites. Their adaptation to rural living after some years of urban life remains open to question.

10. The land reform program in South Vietnam has been a success and is continuing with the distribution of both public and private lands to particularly disadvantaged groups.

The land reform program began in March 1970 when the land-to-tiller law became effective. At that time the goal was to transfer

1 million hectares (2.5 million acres) during the first 3 years of the program. By March 26, 1974, the fourth anniversary of the land-to-tiller program, applications for transfer of 1,237,350 hectares had been approved and titles issued for 1,144,657 hectares.

Although the land reform program was designed primarily for political reasons, there have been positive economic results. The program has raised the income of some 750,000 farm families composed of almost 5 million members by an estimated 30 to 50 percent. The average farm family which had been paying rental of 25 to 35 percent of production for use of the land now has additional disposable income—to invest in the land. More importantly, there is a correlation between the land reform program and improved security, national political identification, economic equality, and a demand for increased agricultural technology.

Recently, the Government of South Vietnam entered a new phase of the land reform program. This phase, known as "Land to the Landless," will involve the transfer up to 3 hectares of land to landless refugees, laborers, discharged soldiers, civil servants, and others who are willing and able to farm.

Compensation to the former landlord is paid in piasters: 20 percent of the value of the land in cash, and the remainder in bonds paying 10 percent interest and redeemable over an 8-year period. Compensation payments to former landlords are currently estimated at the equivalent of \$537 million through 1981.

The direct cost to the United States in support of the land reform program from the beginning through fiscal year 1975 is expected to total approximately \$47 million. This includes \$40 million in dollar grants through the commodity import program to help offset the inflationary impact of cash payments which were made to the former landlords, and about \$7 million in technical assistance and other program costs. Included in this latter amount is \$250,000 for fiscal year 1975 which will be used to fund five U.S. direct-hire advisers (\$200,000) and participant training for seven Vietnamese (\$50,000).

According to the Agency for International Development, not much more needs to be done in support of the program. What remains will involve a wrap-up of advisory assistance, especially concerning landlord compensation, identification of main living areas for Montagnards and granting of land titles to Montagnards. AID will also assist the Government of South Vietnam in maintaining an effective monitoring system to insure that there is no retrogression.

Recently there have been reports that the achievements of the land reform program are being eroded as a result of a lessening commitment to the program on the part of the government and efforts of the former landlords to regain their land.

The most publicized incident involves 181 titles to 185 hectares of land in Bien Hoa Province. Through bureaucratic error, the land was initially distributed despite its being exempted under the land reform law. Now the original owners are pressing a claim for return of the land and the Saigon government must adjust the situation. At the time of the visit of the survey team no final decisions had been made and no titles had been revoked.

After looking into this and other reported incidents of backsliding on land reform, USAID investigators concluded that the charges "appear to be without merit."

There have also been allegations of corruption in the administration of the land reform program. According to USAID the only study on this issue showed a complaint and grievance rate of less than 1 percent of the number of people affected by the program, and only 7 percent of these complaints related to corruption. The mission concluded that "perhaps there has been some limited corruption, but available evidence indicates it was remarkably low."

The study mission was unable to determine the validity of the above criticisms. From our observations the land reform program has been, and continues to be, a success. We have found no evidence that any farmer who received valid title has lost his land through legal action or has been forced off his land. The objective of the land reform program has been to eliminate land tenancy as a way of life in South Vietnam. When the "Land to the Landless" phase of the program has been completed the objective largely will have been achieved.

11. Funds earmarked by Congress for the welfare of Vietnamese children disadvantaged by the war, particularly orphans, can usefully be increased from \$5 million (fiscal year 1974) to \$10 million in fiscal year 1975.

In the Foreign Assistance Act of 1974, the Congress, with the recommendation of the Committee on Foreign Affairs, approved an earmarking of \$5 million from Indochina reconstruction assistance to be spent for the benefit of war-disadvantaged South Vietnamese children. Not more than 10 percent of the funds could be used to facilitate adoption of Vietnamese orphans by American citizens.

It is apparent that the earmarked funds have served a useful purpose.

The principal thrust of the programs funded has been to prevent child neglect, child abandonment, or the placement of children in orphanages, by offering alternatives to economically pressed families. At the same time, efforts are made to improve the health, sanitation, nutrition, facilities, and management of orphanages—some of which operate under deplorable conditions.

In addition the GVN supports projects serving special groups or needs, including (a) improvement of custodial care and therapy for handicapped children; (b) pediatric clinics, largely for children being processed for adoption; (c) aid to intercountry adoption programs and related child welfare activities; (d) training of child welfare workers; and (e) midwife pediatric training.

Once child welfare needs had been established (as a result of the congressional initiative), AID allocated an additional \$2.2 million to related projects. The GVN Ministry of Social Welfare has budgeted \$1.7 million in piasters to support the U.S. effort.

Agreements with the South Vietnamese Government provide that the bulk of the AID funds will be spent through voluntary agencies, including CARE, Catholic Relief Services, World Vision, International Rescue Committee, and Holt Adoption Services.

In the year since the enactment of the earmarking of some funds to facilitate adoption of Vietnamese children, especially those of American parentage, many of the obstacles which previously had rendered adoptions difficult have been overcome.

At the present time about 50 Vietnamese children per month are being processed for U.S. adoption. When programs move into full gear that number is expected to be between 100 and 150 orphans monthly.

As these child welfare programs are developed, the need for funding will increase. According to individuals close to the programs, an earmarking of \$10 million for fiscal 1975 would be reasonable. This level of support probably will be required for the next 2 or 3 years—after which time, hopefully, the plight of Vietnamese children will have been sufficiently ameliorated to permit a phasing out of AID-supported activities.

12. The Government of South Vietnam has not mounted a nationwide program of family planning services appropriate to its too rapid population growth.

Although there has been no national census in Vietnam since 1960 and government statistics are based on estimates of unknown accuracy, the population growth rate of South Vietnam is assumed to be 3 percent annually. At that pace, the population of the country will double in 23 years.

To date, little or nothing has been done to promote family planning/population control in Vietnam. A 1920 French law prohibits the dissemination of contraceptive materials. Those family planning programs which do operate are very restricted, with no publicity permitted and a limited staff of health personnel.

Although the GVN has set a target of reducing the natural increase rate from 3 percent in 1973 to 2 percent in 1980, it has not taken the kind of vigorous steps which will be needed to meet that goal.

Plans for repealing the 1920 law have not yet been realized, reportedly because the National Assembly which must act is strongly influenced by Catholic legislators.

U.S. population aid thus far has been modest and low key. In fiscal 1974, \$750,000 was spent through AID title X funds. The proposed obligation for fiscal 1975 is \$1 million. The funds will be spent to hire 6 U.S. technicians, train 72 Vietnamese health workers, buy contraceptive commodities, and for certain in-country costs.

When one considers the magnitude of U.S. economic aid programs to Vietnam, the amount allocated for family planning is miniscule. Yet the economic reconstruction and development objectives of the USAID programs clearly are being hampered by the rapid growth of population. If, as the survey team was told, projections show the Delta population consuming the entire Delta rice product within 5 years then clearly economic self-sufficiency for South Vietnam is a chimera.

The United States reportedly has not pressed this issue with the Vietnamese because of its political sensitivity. President Thieu is a Catholic and about one-half of the national legislature is Catholic, although Catholics are only about 10 percent of the total population. Further, there are fears that the other side would use the population control issue to charge the United States with attempted racial genocide.

Neither of those rationales seems compelling in light of the clear need for action. The Philippines, with an overwhelmingly Catholic population, has one of the largest family planning programs in the less developed world.

If the United States is to continue to assist South Vietnam to attain a higher level of economic progress, the issue of population growth ought to be reviewed at the highest levels of the GVN.

13. The International Commission for Control and Supervision (ICCS) is largely dependent upon U.S. contributions for its continued existence. It should be given careful scrutiny for its lack of internal management procedures, particularly with regard to accountability for U.S. excess equipment turned over to the ICCS following the implementation of the Paris peace agreements.

Article 18 of the Agreement on Ending the War and Restoring Peace in Vietnam provided for the establishment of an International Commission for Control and Supervision (ICCS) to supervise and control implementation of those provisions of the agreement listed in article 18, through observation and investigation of violations.

The ICCS is composed of representatives from four countries: Iran, Indonesia, Hungary, and Poland. (Iran became a member in 1973 after Canada withdrew in frustration.) The total number of personnel is 1,160, or 290 from each of the 4 countries. Their headquarters is in Saigon with subsidiary teams located throughout South Vietnam.

The Commission has been unable to perform many of its prescribed functions. The Communists have refused to permit ICCS teams into much of the territory controlled by them, particularly in the border areas through which military equipment is being brought into South Vietnam. The agreement also called for the Two Party Joint Commission to accompany the ICCS teams and the Communists refused to permit GVN representatives into areas they control. An even greater impediment is the PRG refusal to provide security for the Commission teams.

The Communists have also interfered with the operations of the ICCS. In a flagrant disregard for the ICCS, Communist gunners shot down a well-marked ICCS helicopter in April 1973, killing four members of the Commission.

Pursuant to the cease-fire agreements, the costs of operating the Commission were to be shared primarily by the four parties to the agreement who were each to pay 23 percent of the budget and the four countries who were members of the Commission agreed to pay 2 percent each to cover the remainder of the ICCS budget.

The parties and members of the Commission have not yet agreed on a budget although the Commission has been in existence for more than 16 months. Initially, and pending adoption of a firm budget, an expenditure level of \$28.4 million was set and contributions levied against that figure. To date only the United States and South Vietnam have fully met their obligations. Contributions through March 31, 1974, are as follows:

	Million
United States.....	\$9.2
South Vietnam.....	6.2
North Vietnam.....	2.2
Provisional Revolutionary Government.....	1.7
Total	19.3

In the meantime the North Vietnamese have advised the Commission that no further payments will be forthcoming. The PRG is assumed to follow suit.

No contributions have been received from any member countries of the Commission and it is unlikely that any will be forthcoming. Based upon the \$28.4 million figure, all member countries have monetary claims for per diem, travel, and other expenses which exceed the 2 percent which they owe. (Each member country pays its own soldiers.)

The ICCS is now broke. To help it meet its obligations through June 30, 1974, U.S. officials in South Vietnam have requested \$6.3 million in addition to the \$9.2 million already contributed. In response to this request the Department of State approved a contribution of \$1.2 million on May 20, 1974, bringing the total U.S. contribution to \$10.4 million. Further consideration is being given to an additional contribution before July 1, 1974, of up to \$5.1 million, depending upon the availability of fiscal 1974 funds. This would increase the total U.S. contribution to the ICCS for the first 17 months of its existence to \$15.5 million.

For fiscal year 1975 the executive branch is requesting \$27.7 million for the ICCS. Of this amount \$16.5 million is intended for the operation of the ICCS and \$11.2 million would be used to repay the supporting assistance and contingency fund accounts for the moneys drawn from those two accounts for the ICCS in fiscal year 1974.

The survey team was informed in Vietnam that ICCS members have reported being told by North Vietnam's Le Due Tho that he has assurances from the American Secretary of State that the United States would shoulder the burden of ICCS costs. This course of action is not altogether unreasonable if for political and diplomatic reasons the continued existence of the Commission is important to U.S. policy in Southeast Asia. Heretofore, however, there have been no auditing or accounting procedures established within the Commission to monitor the use of moneys made available. If the United States is to be the primary source of funds, it should insist upon a full, effective, and complete auditing and accounting program.

In addition to monetary and budget support, the United States also made substantial amounts of surplus equipment (automobiles, air-conditioners, office furniture) available for the use of the ICCS.

The exact location, condition, and quantity of this equipment is not known and efforts to conduct a physical inventory have not been successful.

U.S. officials in Vietnam should be directed to exert every effort to determine how much U.S. equipment has been made available to the ICCS and develop some system of accountability.

14. Failure of the United States to give economic aid to North Vietnam, as provided for under article 21 of the cease-fire agreements, may have had a more important effect on Hanoi's subsequent behavior than is generally recognized.

There are six different statutes which prohibit U.S. assistance to North Vietnam without prior congressional approval. However, in the cease-fire agreement signed in Paris, the United States agreed to "contribute to healing the wounds of war and to postwar recon-

struction of the Democratic Republic of Vietnam and throughout Indochina." To date, the executive branch has not requested authority to provide assistance to North Vietnam.

Failure of the United States to provide such assistance may be a factor in the refusal of the Government of North Vietnam to abide by provisions of the cease-fire in Indochina. It may also be a factor in the refusal of the Communists to permit the U.S. Joint Casualty Resolution Center to investigate the approximately 2,300 cases of U.S. personnel still unaccounted for throughout Indochina.

According to U.S. officials in South Vietnam, the North Vietnamese have on a number of occasions indicated that the United States was violating the terms of the agreement by not furnishing economic assistance to North Vietnam. This point was emphasized in a letter to the Chairman of the International Commission for Control and Supervision on April 4, 1974, when the North Vietnamese Government formally rejected the proposed budget for the ICCS and stated that:

Once again, the Ministry of Foreign Affairs of the Democratic Republic of Viet Nam reiterates its view that, when the U.S. Government is refusing to correctly implement many essential provisions of the Paris Agreement, on Viet Nam, including Article 21 regarding the U.S. Government's obligation to contribute to the healing of the wounds of war in the Democratic Republic of Viet Nam, the implementation of Article 18 of the Paris Agreement providing, *inter alia*, for contributions to the expenditures of the I.C. will be also hampered. Therefore, the Democratic Republic of Viet Nam feels it very regrettable not to be in a position to accept the aforesaid draft budget of the I.C.

Since article 18 of the Paris agreements provides for the enforcement and supervision of the cease-fire, the cooperation of the North Vietnamese is essential if the cease-fire is to be effective. On the basis of the above quoted letter, it would appear that economic assistance from the United States may be more important to the North Vietnamese than is generally recognized.

The North Vietnamese have serious economic problems. They have not yet recovered from effects of the U.S. bombings or from the typhoon that destroyed one-fifth of their rice crop last year. Furthermore, they are short of manpower in general and skilled management in particular. Economic and technical assistance from the United States would be of considerable value.

U.S. economic and military assistance has strengthened South Vietnam economically, militarily, and politically. This strength makes it unlikely that the North Vietnamese can win a military or political victory in the South in the foreseeable future, if ever.

The question is whether, under the circumstances, the North Vietnamese will be willing to abandon the struggle in the South in return for substantial economic assistance from the United States. If so, there may be the possibility of tradeoff between such assistance and closer adherence to the provisions of the cease-fire agreement by Hanoi, including provisions relating to the resolution of the missing-in-action question.

CAMBODIA

1. The military situation of the Khmer Republic has worsened considerably in the past 2 years.

Although Cambodia is slated to receive \$110 million in "Indochina postwar reconstruction" assistance, the hostilities are far from over for that country's 7.8 million people.

The struggle between the forces of the Government of the Khmer Republic (GKR) and those of the insurgents, now largely under the control of the Khmer Communist party, is daily being waged with undiminished intensity.

Over the past several years, the Khmer Communists have succeeded in gaining control over much of the countryside and about 40 percent of the population. Many provincial capitals are surrounded; some must be resupplied entirely by air.

American military air transports are an integral part of those airdrop operations. During fiscal year 1974 U.S. airdrop sorties in C-130 aircraft have averaged 693 per month, dropping an average of 9,906 short tons of cargo.

Phnom Penh itself is an enclave, with all major roads leading to it interdicted. Its principal line of communication is the Mekong River which allows resupply of the city by convoy. In recent weeks those convoys have come under renewed pressure by the other side. Should the river be cut, Phnom Penh also would require resupply by air.

Despite repeated attempts by the Lon Nol government to open negotiations toward a cease-fire and peace settlement, the other side has shown no inclination to talk and has, instead, pressed for a military victory. Repulsed in their attempts to take Phnom Penh itself, the Khmer forces have centered their attention on provincial towns where they have met with some recent successes.

2. Beset militarily, riven by internal political divisions, and lacking a firm sense of purpose, the Lon Nol government in Phnom Penh is fully dependent for its existence on the military and economic assistance of the United States.

Its once-large reserves now all but depleted, its exports earnings low, and its economy wrecked by the war, Cambodia exists from day to day largely on American aid. If that aid were removed, the present government would fall and the Khmer Communists could well prevail within a short time.

Despite its perilous military and economic situation, there is strikingly little sense of urgency evident in Phnom Penh. Reports of high living among top military and civilian officials are prevalent. Until quite recently, Mercedes automobiles, television sets, and delicacies such as canned asparagus and Hennessy cognac continued to be imported.

Although there is conscription, the sons of top officials are said to escape military service. The students, who are an important urban class in Phnom Penh, continue their studies and disdain military life as if the capital was not surrounded.

The government has been marked by constant political maneuvering. During our visit, American officials were encouraged by the government formed by the new premier, Long Boret, who brought with him into the cabinet some gifted young professionals. The formation of a four-man ruling directorate which includes Lon Nol, Sirik Matak, Long Boret, and military chief of staff Gen. Sothene Fernandez, is also seen as a forward step. Subsequently, however, there have been new political troubles.¹

Cambodia presents the United States with a dilemma. If the United States continues to give aid, there is no guarantee that it will be used efficiently; effectively, and without corruption. Moreover, U.S. aid provides no guarantee that the Khmer Republic will eventually prevail, or even survive. On the other hand, withdrawal of aid would almost certainly doom the present government and could lead to an early Communist victory.

That eventuality would have broader implications for U.S. policy in Southeast Asia. South Vietnam would feel additional pressures from North Vietnam on its western borders. Thailand would be faced with a serious new security threat. And within Cambodia itself, a bloodbath against those who cooperated with the Americans could develop.

3. Current maximum U.S. objectives in the Cambodian conflict are a stalemate on the battlefield which—hopefully—would lead to a “Laos-type” solution featuring a coalition government in which the Communists undoubtedly would play a major role.

U.S. officials profess confidence that with U.S. material and diplomatic support the Khmer Republic's demonstration of military and economic viability will persuade their opponents to move to a political solution of the conflict.

The solution most frequently mentioned is a “Laos-type” agreement, in which the Khmer Communists would share power in Phnom Penh with GKR officials in a government of national unity, following a cease-fire.

This eventuality is dependent upon a battlefield stalemate in which the insurgents find themselves unable to gain their objective of decisively defeating the GKR, but with the GKR unable to do much more than react to Khmer Communist military threats.

U.S. officials hope that if the Communists' dry season campaign, which will end in June with the coming of monsoon rains, results in a standoff, the other side may be willing to begin talks.

Several factors put that outcome in doubt, at least for the foreseeable future:

First, their recent military successes at Oudong, near Lovek, and the prospect of cutting the Mekong lifeline to Phnom Penh, may convince the Khmer Communists that they should fight rather than talk at least until the end of the next dry season in June 1975.

Second, autumn 1974 holds the prospect that the Khmer Republic may be ejected from the United Nations General Assembly and the

¹ Since this report was prepared, all members of the Republic Party, including its leader, Sirik Matak, have resigned from the government.

Communist delegation seated in its stead. Because of the importance of that move to their cause, the Khmer Communists are not likely to be interested in talks until after the seating issue has been resolved, and then only if they have been rebuffed at the United Nations.

Third, even if the Khmer Communist leaders adopt a more flexible posture, there are no indications that they would drop their refusal to negotiate with the present leadership in Phnom Penh.

4. U.S.-sponsored programs to shore up Cambodia's economy, including the commercial import program and the multilateral exchange support fund (ESF), have failed to bring economic stabilization and have helped fuel a black market.

In 1971 elaborate efforts were made to reform Cambodia's economic system to provide for stabilization under wartime conditions. Upon the apparent adoption of those reforms by the Khmer, the United States provided the government with a \$20 million cash grant, stepped up its commodity import program, and sponsored a multilateral fund for exchange support.

Since the beginning of fiscal year 1972, the United States has provided \$181.9 million in import support, and \$216.4 million in Public Law 480 food imports. Through the ESF, third countries have provided an additional \$17 million in import aid.

Notwithstanding this substantial economic assistance, Cambodia has experienced drastic inflation that increased prices 472 percent between January 1, 1972, and January 1, 1974. The cost of living increased 275 percent in the same period.

Interestingly, while the working class price index was increasing by 300 percent during that period, the price index of the wealthier "European" class rose only 200 percent.

Even as scarcities in basic commodities were fueling inflation, luxury goods such as automobiles, television sets, cognac and wine, and canned asparagus continued to be imported through the ESF. Only recently was an extensive "negative list" adopted at U.S. urging to prevent further imports of luxuries.

A flexible exchange system adopted in 1971 in order to—in the words of the Embassy—"permit the maintenance of a realistic exchange rate in the face of a serious inflationary situation," has failed miserably. Today, the official exchange rate is about one-half the black market (and Hong Kong) rates.

A black market flourishes in Phnom Penh, fueled in part by goods imported under the U.S. commodity import program and the ESF.

The drastic changes in the fortunes of war which have occurred since 1971 are given by U.S. officials as the principal reason for the current chaotic state of the Cambodian economy. Reduction of agricultural and industrial production due to the conflict required greatly increased imports, for which Cambodian foreign exchange reserves were insufficient, officials point out.

While those are contributory causes, they do not adequately explain the extent of the economic disarray which prevails in Cambodia today.

5. The U.S. Mission has begun a program of assistance to Cambodian refugees. The program minimizes corruption and maximizes efficiency through the use of American and international voluntary agencies. Some new U.S.-supported refugee resettlement projects, however, raise serious questions.

Although pressed by Members of Congress since 1971 to undertake programs for refugees in Cambodia, the executive branch was reluctant to become so involved until the widespread Communist offensive in 1973 roughly doubled the refugee population to more than 1 million persons.

Working on a crash basis, USAID has furnished direct grants to international voluntary agencies, including the Catholic Relief Services, CARE, World Vision, and the International Red Cross, to provide emergency assistance in food, shelter, household utensils, and medical supplies.

From a \$1.2 million level of refugee aid in fiscal year 1973, U.S. spending for such programs has increased to an estimated \$20.4 million in fiscal year 1974.

Use of the voluntary agencies to distribute refugee aid not only adheres to the 1973 mandate of Congress in the Foreign Assistance Act (section 821) but also provides the most efficient delivery of services with the least possibility of corruption—an ever present danger in Cambodia. The staff study team visited a number of voluntary agency projects around Phnom Penh and Kampong Thom and was impressed by the work which has been done. The Cambodian example indicates that such agencies continue to fill a useful role in foreign aid.

Beyond emergency assistance to refugees, however, the United States provides support for a program of accelerated refugee resettlement. Since this undertaking exceeds present capabilities of the voluntary agencies, the United States has prevailed upon the government to establish a new, independent, and autonomous Khmer organization known as the Resettlement and Development Foundation (RDF).

Managed by a group of seemingly dedicated Cambodian businessmen (some dislodged from their industries by the war), RDF is seeking to resettle 5,000 families this year on sites near Phnom Penh and Kampong Thom. It is not likely to reach that goal because of difficulties it is experiencing in getting implementing legislation through the National Assembly and security problems.

The study team learned that, unlike Vietnam, the land on which the refugees are to be resettled would remain in the hands of the original owners. The settlers will pay a token rent for the duration of the conflict and then presumably could be forced to move again with the land reverting to the landlord. In the meantime, the RDF—with U.S. financial aid—will have spent large sums on dikes, houses, roads, and other improvements. Those benefits will potentially accrue to the landowners, rather than the refugees.

This raises the serious question whether resettlement should not be linked with a program of land reform in Cambodia.

Another serious question involves the security of the relocated families. Sites near Phnom Penh and Kampong Thom are considered to be in "safe" areas, but have proven to be vulnerable in the past. Refugees located south of the capital have been forced to flee once before and their houses were destroyed by the insurgents. Our visit to

Kampong Thom occurred several days after unarmed workers plowing land for refugee farms were attacked, the foreman killed, and four American-supplied tractors driven off.

6. *The Lon Nol government has not begun to meet its obligations under the Geneva Convention by transferring Vietnamese prisoners of war to the now-empty POW camp built and equipped by U.S. MAP funds.*

Although a signatory of the Geneva Convention on Prisoners of War, the Cambodian Government has yet to meet its treaty obligations with respect to the estimated 400 to 500 North Vietnamese and Vietcong prisoners which it now holds.

The International Committee of the Red Cross has made repeated representations to the Khmer on behalf of these men, only to be told that the Vietnamese prisoners are being held "temporarily" until they can be transferred to a proper POW camp. Some prisoners have been held in "temporary" status for months.

Since last October a POW camp built and equipped by U.S. military assistance funds has been available for occupancy on Ko Kong Island in the Gulf of Siam. A camp commandant and some 100 security guards have been located there for some months, without a single prisoner.

The GKR rationale for not using the camp—which would be subject to ICRC inspections—has varied. Initially, it claimed that it did not have transportation to take the POW's to the Ko Kong camp. When the ICRC offered to provide transportation, the government claimed to fear lack of security in the camp vicinity, though the area generally has been a quiet one.

Although the United States has urged the GKR to use the camp and abide by the Geneva Convention, further representations may be warranted if only to assure proper utilization of U.S. MAP funds. Moreover, it does not help the United States to obtain an accounting for Americans missing-in-action when a U.S.-aided government refuses to abide by its obligations under the Geneva Convention in dealing with North Vietnamese prisoners.

7. *The cost of U.S. military aid to Cambodia has escalated rapidly during the past year, particularly because of greatly increased ammunition expenditures.*

In fiscal 1973, U.S. military assistance to Cambodia totaled \$131.7 million. With the cessation of U.S. bombing missions over Cambodian territory, use of ammunition by the Khmer armed forces, known as the FANK, increased dramatically.

At the same time, the cost of certain types of U.S.-supplied ammunition was increasing sharply because of general inflationary pressures.

As a result, the cost of Cambodian MAP for fiscal year 1974 may be more than triple that for fiscal year 1973. To the \$125 million furnished from MAP funds in fiscal 1974 must be added a special drawdown of Defense Department stocks of \$250 million pursuant to Presidential determinations of December 24, 1973, and May 13, 1974.

Some cost reduction could be achieved by curbing excessive ammunition expenditure by FANK, a frequent problem with ill-disciplined and static defense-minded troops. Military officials in Cambodia and

at CINCPAC appear concerned about the problem and are attempting remedial efforts.

Those measures, however, fall short of the "across-the-board" cuts in ammunition deliveries which were successfully instituted by the United States in South Vietnam as a means of curbing excessive ARVN ammunition use.

Since almost \$300 million of the \$362.5 million MAP programed for Cambodia during fiscal year 1975 will be for ammunition, a cut in those costs—now running between \$800,000 and \$1 million per day—would be effective in producing savings.

Should other efforts to reduce excessive ammunition expenditures fail, U.S. military officials would be well advised to initiate in Cambodia an ammunition percentage cut similar to that which was applied in Vietnam.

8. *The law and intent of the congressionally established ceiling of 200 Americans in Cambodia has been violated daily by the U.S. Mission in Phnom Penh.*

Section 656 of the Foreign Assistance Act, adopted in 1971, states that the total number of American military and civilian officials "present in Cambodia at any one time shall not exceed two hundred."

It is clear from the legislative history of section 656 that the Congress sought to restrict numbers of American officials working in Cambodia as a means of limiting the extent of U.S. involvement in that country. To that extent, the implementation of the ceiling has been successful.

Despite the plain wording of the law, and its obvious intent, however, an average of 215 to 222 American military and civilian officials are daily at work in the U.S. Mission in Phnom Penh or elsewhere in the country.

The rationale provided by the Embassy is that not more than 200 American officials are present in Cambodia overnight, although the Embassy admits, however, that more than that number are "present in Cambodia at any one time" during working hours. Embassy officials do not interpret this practice as contravening the law.

In order to insure that no more than 200 official Americans are present overnight, the Embassy has initiated a procedure called "headspace." Administered by the deputy chief of mission, headspace sends personnel out of the country by nightfall to make room for TDY people coming in. In many cases individuals, deemed expendable for a limited period of time, travel to Bangkok for several days' inactivity, collecting per diem for each day out of Cambodia.

No estimate of the cost of this procedure was available at the Embassy. It must, however, be expensive since the total includes air fares, per diem expenses (both for those going out and those coming in), and normal salary for days not worked.

The Congress may wish to consider remedial action in order to bring Embassy practice in Cambodia in compliance with the law.²

² Since the return of the study team to the United States, the committee has been informed that remedial action is being taken by the U.S. Embassy in Phnom Penh.

9. Although no evidence was found that U.S. Mission personnel are giving tactical military advice in combat, Americans are involved in advising Cambodians on major aspects of military policy, management, and operations.

Five separate acts of Congress since 1970 prohibit the United States from acting in a military advisory capacity in Cambodia. From time to time, press accounts have alleged violations of these injunctions by U.S. military personnel.

As a result of its investigations, the staff survey team could find no evidence that Americans are acting as combat unit advisers with the FANK. Members of the Defense Attaché's Office (DAO) regularly go into the field to gather information. While there, their actions—or even their questions—may have same impact on the actions of Cambodian field commanders. There is no indication, however, that this practice has been systematized or is being used by DAO personnel with the intent of violating the law.

It is clear, however, that American officials have not hesitated to give the Cambodians advice on military matters ranging from command structure and training to management and logistics.

Much of this U.S. involvement flows from the massive deliveries of American military equipment.

In order to insure proper end use of equipment, the United States has found it necessary to help the Cambodians to develop ports to receive the equipment, repair roads and bridges on which to move it, train personnel to operate it, build housing for trainees, establish supply systems for efficient distribution and reorder, create facilities for maintenance and repair, and educate them to run the logistics and other systems.

This has resulted in constant, wide-ranging communication between Americans and Cambodians, with the Americans telling Cambodians what to do.

Finally, the American Ambassador is energetic in carrying out what he perceives to be his mission. By his own admission he does not hesitate to give strategic military advice to Lon Nol or tactical advice to subordinate military commanders. It is his interpretation of existing laws that Congress did not mean to preclude "advising" at the level at which he performs.

LAOS

1. U.S. military and civilian officials in Vientiane appear to be making good faith efforts to comply with the terms of the cease-fire in Laos, to facilitate the peace, and to aid the new Provisional Government of National Unity.

Since the February 1973 cease-fire accord in Laos, hostilities have virtually come to an end and a new coalition government—the Provisional Government of National Unity (PGNU)—is beginning the work of moving from wartime concerns to peacetime reconstruction and development.

The United States has endeavored to facilitate this transition by supporting the political solution that is evolving.

The American Ambassador, the defense attachés, the AID Director, and their staffs appear genuinely dedicated to making the accommodation between the Communist Pathet Lao and the Royal Lao Government work.

U.S. actions in pursuance of that objective include the following:

The 18,000 Lao and Meo irregulars who had operated largely under American control are being demobilized or integrated into the regular Royal Lao Army.

U.S.-financed and directed Thai “volunteer” forces in Laos, which totaled some 18,000, have been withdrawn to Thailand. The last group of Thais left Laos on May 22.

The DAO’s office in Laos, which once numbered 213, was being cut back to 30 U.S. military by the end of June. The reduction was being accomplished ahead of schedule and was completed on time.

This policy of military disengagement and cooperation with the PGNU is not without risk.

Some observers look for a total Communist takeover in Laos by 1976. Others fear that, as has occurred before, the coalition will be destroyed by rightwing military officers backed by conservative politicians and businessmen.

While the study team was in Laos, a government crisis appeared in the offing. The King had announced that, as is the custom, he would go to Vientiane to formally open a session of the National Assembly, a body which the Pathet Lao does not recognize as legitimate.

The Embassy was careful not to involve itself in the issue, preferring to let the Lao parties work out a solution. A crisis was averted when both sides agreed that the National Assembly should not be convened this year.

The Embassy view that “there is an immense desire on all sides to see the new government work” proved correct—at least in the first test of the coalition’s viability.

2. As a result of the cease-fire, the military assistance program for Laos can be reduced substantially.

The executive branch request for fiscal year 1975 military grant aid to Laos totals \$90 million including supply operations, which is more than the \$78 million furnished in fiscal year 1974 while the fighting was going on.

The program was developed before the cease-fire and the coalition government. Despite the changed circumstances, the Department of Defense had not requested the DAO in Laos to submit downward revisions in program needs.

Thus, the Congress is being asked to authorize the full amount even though it is widely recognized that the cease-fire has made possible substantial savings.

In a preliminary estimate, U.S. military officials in Laos suggested that up to \$21 million could be saved on operation and maintenance costs, ammunition requirements, and air contracts.

A "barebones" budget, sufficient to keep the Royal Lao Army functioning, may require \$25 to \$30 million. Provision of some new items of equipment, maintenance of overseas training programs, and improvement of RLA capabilities in selected areas would require additional funding up to a total of \$50 million.

U.S. officials in Laos said they could "live with" a fiscal 1975 program at the latter level.

Regardless of the size of the program, contingent U.S. military assistance to the Royal Lao Armed Forces is necessary to maintain the balance which supports the coalition. Further, U.S. programs help implement an orderly demobilization of the RLAF to a peacetime level, while avoiding economic, political, and social problems which could result from an overly rapid reduction.

Once demobilization has been accomplished, continued reductions in military assistance for Laos should be possible.

3. The Pathet Lao members of the provisional government have made clear their interest in continued foreign economic assistance to Laos. It is in U.S. interests to help provide such assistance.

If the concept of Indochina postwar reconstruction assistance has any validity, it is in Laos where a cease-fire prevails and efforts are going forward to repair the damage of war and begin the task of economic development.

For fiscal year 1975, the executive branch has recommended a program of \$55.2 million, some \$15 million more than the fiscal year 1974 program. It would be spent in three basic areas:

(a) *Humanitarian.*—About \$15.3 million would be devoted to humanitarian assistance, principally in the permanent resettlement of refugees.

(b) *Reconstruction and development.*—Repair of highways and access roads will have priority, together with agricultural development, construction of a water control project, and the erection of a dike to prevent the flooding of Vientiane. Total spending would be \$22.4 million.

(c) *Stabilization.*—Funding of \$17.5 million is being requested for economic stabilization support, most of it to be expended through the multilateral Foreign Exchange Operations Fund (FEOF). Although

created in 1964 to offset wartime inflationary pressures, FEOF will still be needed, according to AID officials, to combat continued budget deficits and inflationary pressures.

Although the FEOF is a "capitalistic" device for promoting economic stabilization, the PGNU's foreign minister, a Communist, supports the use of this tool of economic policy. He has also indicated the continued desire of Laos for foreign assistance from Western nations, including the United States.

So long as aid is welcome in Laos, and contributes to stability in Indochina, U.S. officials in the area believe that assistance should be continued. The United States plays an important role as a guarantor of the Laotian cease-fire agreement. Any pullback of aid which resulted in economic crisis in Laos would likely endanger the coalition.

4. Although the FEOF has contributed to preventing a runaway inflation, it should be phased out as soon as possible.

USAID officials state that the FEOF has supplied essential supplementary resources and helped to maintain reasonable economic stability in Laos.

From 1965, when FEOF went into effect, until 1971, the average increase in the Vientiane cost of living was only 7 percent per annum. In recent years, worldwide inflationary pressures have produced greater increases (27 percent in 1972 and 43 percent in 1973)—but runaway inflation, such as in Cambodia, has been avoided.

At the same time, FEOF has been the target of considerable criticism because it has permitted wealthy Laotians to obtain luxury items from abroad. Store windows in downtown Vientiane are filled with merchandise which the average person clearly cannot afford to buy.

Some observers believe that social discontent has been aided and abetted by FEOF. The Communists can point to the conspicuous consumption by an elite—consumption which the mass of Laotians who cannot afford FEOF-imported goods simply cannot match.

There is merit in this argument. It suggests that FEOF should be phased out as soon as possible, or that the United States should withdraw its support from it while letting other nations continue it if they choose to do so.

USAID funds thus saved could be put to use in development efforts which would permit the money to be channeled to the poor majority rather than the rich minority.

5. Many refugees in Laos have been, and are being, resettled on a temporary basis because of a reluctance to return to their original homes in Pathet Lao areas; U.S. support of those resettlement programs raises serious questions.

Unlike in Vietnam and Cambodia, refugees in Laos—numbering some 370,000—have never been in camps. Those dislocated by the war, principally Meo and other hill tribes, have been temporarily relocated in relatively safe areas where they have built new villages and practice their traditional "slash and burn" agriculture.

Because of severe overcrowding, the mountains and the valleys in these regions are rapidly becoming denuded of trees, the soil is becoming depleted, and dangers increase of the ultimate creation of a wasteland.

USAID officials are counting on many of the refugees to return to their homes in Communist-held areas as conditions in the relocation areas worsen, despite the people's misgivings about such a move.

In the meantime, the United States will continue to provide food, other relief supplies, and medical care to many refugees who are not self-sufficient. As many as 115,000 refugees may still require relief aid by the end of fiscal year 1975.

As a result of a tour of relocation areas near Ban Xan and Long Tieng, it is clear that substantial inputs of U.S. financial support continue to be made in the region in the form of roads, fish hatcheries, medical clinics, schools, and other facilities.

The program, however, raises serious questions:

(a) Is it wise to expend resources in developing a region which can ultimately be the permanent home of only a portion of the refugees currently located there?

(b) Will many of the mountain people return to their former homes, as predicted, or will they continue to subsist in their present locations until agricultural and ecological disaster overtakes them?

(c) In the long run, will the many U.S.-sponsored improvements to the relocation regions accrue to the benefit of the refugees or to the military officials of the districts and provinces involved?

Because of many imponderables, firm planning for Lao refugees is extraordinarily difficult. Nevertheless, more thought should be given to the most efficient use of U.S. funds in obtaining permanent resettlement of the majority of refugees as soon as possible.

This may require negotiations and joint planning with the Pathet Lao to create conditions necessary to permit large-scale transfer of Meo and other tribespeople to their former areas. The use of an international agency to coordinate such an effort—thus permitting the United States to maintain a "low profile"—also would seem desirable.