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"A PRELIMINARY REPORT ON THE ROLE OF U.S. ECONOMIC ASSISTANCE TO VIETNAM (U)"

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A PRELIMINARY REPORT ON THE ROLE OF U.S. ECONOMIC ASSISTANCE TO VIETNAM (U)

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PREFACE

This is a composite of several preliminary briefings given in Washington, June 27-29, 1964, on a RAND mission undertaken for AID to study the role of U.S. economic assistance to Vietnam. A more complete report of findings and recommendations is now in preparation.

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PRINCIPAL CONCLUSIONS

Date: 2/26/92

We recommend three basic changes in current U.S./GVN policy in Vietnam:

James L. Harper
Director
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(1) A major program must be undertaken immediately to expand urban employment and improve urban welfare in order to generate support for the GVN and avoid a dangerous level of VC activity in the urban base.

(2) More selectivity must be used in distributing benefits in the rural areas in order to concentrate more clearly on influencing the peasants' attitudes, rather than their material circumstances; on strengthening GVN political leadership, rather than accomplishing the technical deployment of materiel; and on providing resources to our friends, but denying them to the enemy.

(3) A radically expanded propaganda and informational effort must be undertaken as an integral part of the economic and welfare programs. Present neglect in this area wastes much of the payoff of these programs.

GROUP-3
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I. INTRODUCTION

Fundamental to our briefing is a major conclusion that we have reached concerning U.S. priorities in Vietnam and a key assumption regarding the pacification effort. The major conclusion is that the establishment of an effective Government of Vietnam should receive first priority among U.S. objectives in Vietnam. As of today the current government is not effective. Unless we can do something about this inadequacy, the other actions that the U.S. takes will be academic. We must also report that U.S. policy seems to be, in many cases, contributing to this status.

The major assumption that we refer to is that the oil spot concept is viable. More specifically, we assume it will be possible to delineate areas where there are relatively high levels of security and in which the Government of Vietnam has effective control. Our policies, particularly in the rural affairs section of our report, depend critically on this assumption. And I would like to stress that it is an assumption, not fact or a conclusion on our part. At best, the oil spot concept is an uncertain activity; the implementation record to date is far from impressive. It requires complementary military activity in the contested areas which has not been well thought out to date; and if successful, it will still take many years to accomplish total pacification of the country.

In the more complete report we intend to explore how our program recommendations would be affected in the contingency that the oil spot concept is not viable.

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II. A POLICY FOR URBAN AREAS

A. THE PROBLEM

The immediate initiation of a program designed to increase urban employment and welfare and to stimulate industrial activity in urban areas is essential to insure the continued support of the urban population, to diminish vulnerability to VC inroads among the urban population, and to bolster the self-confidence and performance of the GVN. Without such a program, the present regime may be faced with a serious loss of confidence and a "two-front" insurgency in which it would have to fight for existence in its urban base.

The source of the present problem lies in the absence of effective government policies in support of urban economic activity, and in the timidity and inaction that characterizes the present GVN. The results are painfully apparent: a high level of urban unemployment, estimated at between 25 and 30 per cent, and perhaps as high as 40 per cent, if allowance is made for partial unemployment; a lack of career opportunities for the educated youth; declining rates of investment, both public and private, over the past several years, and a particularly sharp decline since the November coup; an almost total absence of community improvement and public welfare projects to benefit slum dwellers and the urban poor; an unnecessarily low rate of expansion of output and new enterprise formation, despite ample private investible funds and profitable investment opportunities; and finally, economic stagnation and neglect of development possibilities in Province and District towns that could and should contribute more effectively to the processing, marketing, and distribution of rural products.

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All of this adds up to a picture of political vulnerability of large and important segments of the urban population. At one end of the spectrum stand the unemployed, the low-income workers, and the educated youth who see no hope or opportunities for themselves or their children, and who thus constitute fertile ground for VC blandishments. At the other end of the spectrum stand the elites -- the military, the intellectuals, the fonctionnaires and even the businessmen and financiers -- who are increasingly vocal and unanimous in their criticism of what they regard as an inactive and inept regime. The result is public apathy towards the present regime and a lack of concern over its survival.

And indeed, the current posture of the GVN can only be characterized as timid and ineffectual. It is unsure as to what policies to follow and unsure that it has the authority to execute them, even if it were certain which to support. In contrast with rural programs, those that might be aimed at the urban population are relatively easy to design and execute, and their impact would be quickly felt. Success in such efforts would provide two important payoffs: increased self-assurance within the GVN and additional support for it within the urban population. The current regime requires more of both if it is to survive and be effective.

What is urgently needed is an expansionary economic policy that is centered on the cities and towns; designed to improve levels and conditions of employment, income, and welfare for the disadvantaged and other sensitive urban population groups; and aimed at dramatically improving the public image of, and confidence in, the regime.

Current policy toward urban areas has been justified on several

grounds. It has been argued that in a wartime situation austerity, not affluence, is desirable; that income and welfare disparities between urban and rural areas are a major grievance on which insurgency feeds; that any further expansion of the GVN budget will lead to inflation; and that, because of limited administrative capabilities, expanded urban programs can be executed only at the expense of more critical rural and military programs. We do not believe that any of these arguments is valid.

1. Austerity. It is not easy to see how urban austerity contributes to winning the war. The issue is not what is "proper" under wartime conditions, but what will effectively contribute to urban morale and support of the war effort. Improved living standards and more adequate job opportunities are essential if urban morale is not to be impaired and if the endurance necessary for continued support of the GVN during a long war is to be achieved. On the other hand, if economic expansion results principally in large windfall gains to a few and the ostentatious display of wealth, no useful end will be served. The real issue is to design an urban program that will support the population at large.

2. Peasant resentment of urban prosperity. There is no evidence that the mere existence of higher living standards in urban areas is a source of systematic rural/urban antagonism. Peasant attitudes are a function of local circumstances and grievances, and it is these issues, not urban/rural disparities, which are emphasized and exploited by VC propaganda. Peasants are unlikely to resent improved living conditions among the urban poor, many of whom have recently come from the countryside and retain close ties to families and friends there. Moreover,

increased urban prosperity is itself conducive to rising rural welfare.

3. Inflation. A persistent preoccupation of U.S. and GVN officials has been the fear that an expansionary economic program would increase the GVN budgetary deficit, aggravate their balance of payments problem, and lead to serious inflation. This concern is unwarranted under present conditions. A program that stimulates domestic production and employment, and puts more spending power into the hands of the lower income groups, will lead to increased domestic production. To the extent that rising incomes lead to an increased demand for imports and thus to inflationary pressures, a U.S. willingness to provide the necessary imports can render the threat harmless.

4. Limited administrative capabilities. The question of limited administrative capabilities relates not only to the urban program but to the entire package of recommendations we present. Essentially, we believe that the administrative problem of Vietnam is not primarily one of too few able administrators, but one of organization, authority, and morale. The question is discussed in its broader implications on p. 20 in connection with the feasibility of our entire program. It should be added here, however, that in any case there is no choice: an effective urban program and an effective rural program are equally essential to the success of the current pacification and war efforts.

B. THE PROGRAM

We therefore recommend a vigorous urban program to enhance the effectiveness and attractiveness of the GVN and to discourage the VC by demonstrating that the urban economy is here to stay. The basic elements of this program are:

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1. An expansionary economic policy. An expansionary economic policy demands and permits a wide variety of direct income-generating measures that will stimulate domestic employment, have desirable social effects, and make a direct contribution to winning the war. Examples are:

(a) A greatly expanded program of public works, focused primarily on population groups most susceptible to VC propaganda, to provide employment for the unskilled and improved living conditions for the lowest income groups.

(b) Increased government salaries, including provision for merit increases, to improve the competence and morale of government workers.

(c) Further increases in military pay, allowances and benefits, to improve motivation, discipline and prestige, particularly of paramilitary forces, and to discourage VC recruitment.

(d) Large-scale, energetic promotion of private domestic investment, to mobilize idle savings into productive activity, create confidence in the urban economy, and attract additional private investment from abroad. This requires a determined GVN effort to improve the investment climate, including changes in its attitudes and institutions. U.S. aid and advice can lend powerful impetus and support to this effort.

2. Urban social improvement. To bolster public confidence in the regime, the GVN must initiate appropriate programs for urban social improvement. Examples are:

(a) A major long-term, low-cost public housing effort, for which the GVN already has detailed plans and which could be launched quickly. Given present housing conditions, especially in Saigon, it is difficult to imagine a program with greater social benefits or public appeal.

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Moreover, it would create employment and stimulate domestic industrial production and could, in time, become self-financing.

(b) The construction of much-needed urban amenities, including particularly public schools, clinics, and dispensaries, as well as public parks and other simple recreational facilities to ease the burdens and squalor of urban life for the mass of the population.

(c) Programs of community development undertaken by local social organizations aimed at organizing self-help and self-improvement projects for urban youths and other vital segments of the population.

3. The inter-urban economic system and the ability of towns to serve the countryside. An important aim of urban economic policy should be to protect and develop the position of towns and cities as centers of GVN strength and control. To this end, the GVN should adopt a number of measures. . Examples are:

(a) A program aimed at exploiting the superior security position of the major towns located along the seacoast or with direct access to the ocean (Tourane, Da Nang, Nha Trang, Saigon, Rach Gia, Ha Tien, etc.), by increasing their ability to use the relatively secure coastal routes for transport, as an alternative to the more vulnerable inland rail and canal routes.

(b) An extensive development of banking and credit institutions and facilities, now lacking, in Province and District towns, to serve the commercial and development needs of these communities.

(c) A systematic program of establishing processing plants in provincial towns, to serve the needs of rural production (agriculture, forestry, and fishery) and to increase both rural and urban incomes. Improved marketing credit and distribution facilities in Province and

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District towns, and development of small-scale and cottage industries. These will not only provide jobs and income for the rural population, but also create additional opportunities for the interchange of goods and services between town and countryside.

4. Demonstration of U.S. confidence and commitment. An important immediate aim of U.S. urban economic policy in Vietnam must be to strengthen the GVN's own self-confidence and to allay its fears about the continuity of U.S. support. Much can be done quickly by the United States in this regard by a series of concrete projects of unmistakable significance. Such projects might include:

(a) Construction of a proper U.S. Embassy building in Saigon. The present converted facility is grossly inadequate in any case; the significance of a U.S. decision to build an adequate representational structure would not be lost upon the government, the population, or the VC.

(b) Dispatching, on a technical assistance basis, a long-range planning mission to assist the GVN in focusing on a 10- to 15-year development plan that would examine the distortions being imposed on the economy by the war effort and concern itself seriously with the distant problem of the ultimate reduction of U.S. aid and the building of a self-sufficient, viable economy. The purpose here is not long-range economic development as such, but an expression of confidence in the future and success of Vietnam.

The specific projects and program areas we have listed are intended to be illustrative rather than definitive. The ultimate size and scope of any one or combination of projects is not now a matter of great consequence. What counts is that a sufficiently impressive set of

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programs be announced and promptly begun.

Much of the political value of the urban program will be lost unless it is undertaken with some political flair and sense of drama. This means, above all, a radically improved public information program to exploit the full political value of these measures.

III. A POLICY FOR THE COUNTRYSIDE

A. THE PROBLEM

What do we want from the peasant? As a civilian, we want him to cooperate actively in the pacification program -- to provide intelligence about VC operations and agents, to exert social pressure on fellow villagers with VC connections, to accept administrative responsibilities in executing GVN programs -- and we want him to resist, where he can, the instructions and tax levies of the VC. As a soldier, we want him to join the GVN ranks with good will, and to fight effectively. We hope he will resist VC recruitment, and we hope to cut away the motivations that might render him devoted to the VC cause. Our rural program must be designed to stimulate the desired attitudes in the individual peasant. But individuals, even with the best of intentions, will be ineffective unless they act together, unless they reinforce each other by shared values and community of interest. They need organization and they need both moral and administrative leadership. Our program, therefore, must lay equal stress on individual attitudes, social cohesion, and GVN administrative capabilities in the rural areas. We must operate on the body politic as much as on the individual peasant. And in carrying out the program, we must guard against providing material resources to the enemy, the VC.

B. GENERAL POLICY OBJECTIVES

1. Material benefits should be concentrated in the area firmly under GVN administration, moving outward with the pacification teams. If distributed in GVN and contested areas alike -- as with the current fertilizer program -- the connection between the benefits and GVN administration will not be clear. Furthermore, active participation in pacification entails costs and risks for the peasant. Unless the quality of life is markedly superior in the GVN area, he will lack a stake in the struggle and will choose non-involvement instead. He has reasons accumulated over centuries for distrusting central governments. It would be unrealistic to expect to inspire him with abstract loyalty to the GVN in the time available to us now. Finally, if we provide substantial material benefits in contested areas as well, we will be providing resources for the VC war effort.

2. The benefits must flow through the leadership channels we are seeking to strengthen: the Province chief, District chief, and village council. These men are asked to undertake a complex task, combining political, military, and intelligence work. To succeed, they need all the instruments of office, including patronage and stature. If we want the peasants to respond to their leadership, we must not undercut their authority in spite of our natural impatience when performance is slow or faulty. Direct American participation must operate to support and reinforce the local administrators, not to replace or compete with them. In the latter role, the Americans appear as critics of the GVN, undermining rather than strengthening its ability to lead. Weak administrators should be helped to improve, inadequate ones replaced, but Americans cannot provide alternative leadership. Social cohesion and

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the leadership necessary for attaining it are abstract and difficult to perceive, but they are indispensable and should not be sacrificed to facilitate the material program.

3. The program must have as its primary objective influencing attitudes, not altering material circumstances. The material aspects of the program have a payoff only insofar as they affect attitudes. They should not be misunderstood as goals in themselves. Explanation and propaganda must become major activities. Each part of the program should be explained in advance, during execution and repeatedly afterward. Equally important will be rural survey work, gathering information about peasant responses and attitudes. For in measuring success, we must look at outputs, not inputs, that is, at attitudes affected, not material benefits delivered.

4. The program must be designed to strengthen the social fabric of the village and hamlet. These communities are on the firing line. Their ability to resist is largely a function of their cohesion. The VC tactic is to undermine their unity, to exacerbate conflicts of interest and class. Ours must be to build unity, compromise differences. We must strengthen the institutions through which ambitions and aspirations can be expressed, differences and conflicts resolved, leadership and community direction exercised: the village council, women's and youths' organizations, tenant farmers' associations, and so on.

5. Any positive program in the contested areas should be modest in amount and carefully designed to avoid supplying resources to the VC. Its function should be essentially symbolic, a token of GVN goodwill toward the peasants there and a vehicle for explaining the benefits that will come with pacification. Some measures of economic warfare

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should be taken aimed at denying resources to the VC and at sharpening the contrast in living conditions between GVN and contested areas.

C. SPECIFIC RECOMMENDATIONS

The policies described above imply a substantial expansion in the size of the rural program and the introduction of a major new activity, gathering information about the attitudes of the peasants and disseminating explanations and propaganda. Those charged with execution of the program should be given the responsibility of devising concrete measures for implementing it. Some suggestions are presented here, as a possible point of departure for further elaboration and as an indication of feasibility.

1. Increasing the effectiveness of USOM

(a) Responsibility for designing the over-all rural program should lie entirely within Rural Affairs, to insure its practicability and unity of concept. To carry out this function the Associate Director should have a staff for research and analysis, which would have no operational responsibilities but be charged with gathering information, thinking about the program, and organizing and transmitting what is learned. This undertaking should not only contribute to the formulation of current programs, but also to the development of a more reliable and complete understanding than we now have of Vietnamese rural society. Feedback from the field, from the provincial representatives, and from surveys of attitudes should be better utilized -- perhaps through a continuing policy-planning Council on Rural Affairs, in which such people as the USOM and USIS field representatives, the analytic staff, Embassy provincial reporters and sector advisors might participate, depending

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on the topic being considered. This Council could also be a major source of policy guidance for the field staff.

(b) The Rural Affairs staff should be expanded, but the rate and geographical distribution of the expansion would have to be carefully controlled to insure that the qualifications and orientation of the new recruits are suitable and that the desired relationship of the field staff to the local GVN administrators is maintained. Some specialized recruitment and training must be undertaken to carry out the informational aspects of the program. Americans should be added, but the increase in Vietnamese supporting staff should probably be two or three times greater, to avoid unnecessary American intervention in Vietnam's internal affairs, to increase the points of contact between the Americans and the community they are trying to serve, and to make permanently available to Vietnam a body of trained young people, experienced and knowledgeable in rural affairs. Women are important in Vietnamese villages and more women in the Rural Affairs field staff would probably make a valuable contribution. The work of the Rural Affairs provincial representative is constructive and challenging, and recruits of the highest quality should be forthcoming if knowledge of the work and need are properly disseminated. Perhaps the ban on Peace Corps assistance in recruiting should be reconsidered. Loans from other agencies might also be increased.

(2) The Rural Program

(a) A much expanded program of benefits for dependents of soldiers and members of the para-military should be established. In this way the young peasant's attachment to his family would become a positive rather than negative factor in his willingness to serve and in choosing service with

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the government over the VC. The amount of the benefit should vary with the number of family members in service and with rank, to encourage all family members to serve the government and to encourage the sort of performance that, in turn, will lead to promotion. To minimize administrative complexity, monetary payments might be the best initial form for such benefits, but eventually their form should be chosen with the sentiment of the soldier and his family in mind. For example, boarding school education for younger members of the family might appeal at once to the soldier and his parents.

(b) The tax on agricultural land, now collected in part for the benefit of the village, in part for the provincial and national budgets, should be reserved exclusively for collection and disbursement by the village council. This would end the obligation of Province or District chiefs to make armed tax-collecting forays and would enhance the financial and administrative strength of the village council. The revenues lost at the provincial level should be replaced through the GVN budget.

(c) Funds should be provided at the provincial, district, and village levels for local public works, such as roads, canals, bridges, and school clinics. Wages should be paid and unpaid labor for these purposes should be eliminated. This would provide income for the sector of the peasantry most in need, those who must work for hire, and would eliminate the practice of corvée, which is resented. In both respects, paying wages would provide a favorable contrast between GVN and VC administration. This proposal could be quickly and easily put into effect since many useful but simple projects are now underway on an unpaid basis. These should be converted to a paid basis and others could be undertaken if more funds were available at present levels of

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administrative and technical capacities.

(d) Raising the price of rice through market channels is undesirable because it would take effect nationally, blurring the differences between pacified and unpacified areas and increasing resources available to the VC through tax collections in contested and VC areas. Instead, the possibility for establishing differential rice prices, higher in GVN and lower in contested areas, should be explored, for example by taxing millers and buyers who operate in contested areas, while subsidizing or otherwise facilitating marketing in GVN areas. Similarly, important inputs such as fertilizer might be taxed as they enter commercial channels, but supplied at low, subsidized prices in GVN areas through the village councils. These actions would stimulate production and income in GVN areas, but have the opposite effect in areas of VC activity.

(e) Low interest loans out of NACO funds should be made to individuals for productive purposes through the village council, with the council held financially responsible for collection and repayment. Individuals unable to repay should be given the opportunity to discharge their obligation through labor on paid public works, perhaps with a penalty to encourage conventional repayment. Working through the village council will strengthen its leadership, permit a more rapid expansion of the volume of credit than NACO can now administer, and ensure the high level of collection necessary for the sound development of NACO and of credit relationships in the countryside generally.

(f) Land reform should not be undertaken now. Not only is the special machinery needed for implementing reform lacking, but several existing statutes protecting tenants presently go unenforced, in part,

because landlords are important in village, district, and provincial administration. Thus, announcement of a new program would probably arouse more skepticism than enthusiasm among tenants. If, as is all too likely, the new program also went unenforced, it would appear merely as another act of bad faith, dividing the peasants from the rural administration. On the other hand, landlords, who figure importantly in both civil and military hierarchies, would feel alarmed and attacked. The problems of tenancy would not abate, but the class conflict on which VC propaganda preys would be sharpened. A preferable approach would be to improve and enforce present statutes ensuring permanence of tenure and limiting rental rates. Meanwhile, institutions for protecting tenants' rights, such as the Union of Tenant Farmers, should be strengthened, and a program begun of voluntary sales by landlords at high prices and resale to tenants at low prices, with the GVN making good the difference.

(g) A broad program of support for rural social organizations, such as those which have traditionally existed for women and young people, should be undertaken. Guidance and funds might be provided through the village council or through national youth groups, such as the 4-T. Recreational and vocational outlets for youth are especially needed as an offset to the blandishments of the VC.

(h) A much larger program of benefits for relocatees should be designed to provide adequate compensation for the hardships of their move and to produce an environment that will permanently attach the peasant to his new location.

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IV. FEASIBILITY OF THE RECOMMENDED PROGRAM

The program we are recommending -- increased attention to urban problems and opportunities, a more focused rural program, and a greatly expanded information effort to exploit these programs -- requires close cooperation between the U.S. and the GVN. Can we enlist the necessary support from the GVN? Even if we can, would this support be translated into effective programs? We believe that the answer to both these questions is "yes."

GVN CONCURRENCE

Discussion of U.S. leverage on GVN policies often neglects an important factor -- the considerable overlap of self-interest that now exists between the two governments. Wherever possible we should exploit this fact. For example, one of our major policy conclusions is that the GVN should adopt a more expansionary economic policy. In the past, the U.S. has seemed to argue that the existence of unemployed domestic resources meant that the U.S. need not provide as much aid as might otherwise be the case. This has sounded like a burden-sharing argument to the GVN and the result has been predictable: rather than encouraging a more expansionary policy, we have undercut GVN willingness to adopt desirable programs. The result has been, in short, directly contrary to our intentions.

However, in our discussions with GVN ministers we struck a responsive chord by an approach which stressed the positive contribution that programs to expand employment and invigorate economic activity would make to security and social welfare. The present GVN is eager for guidance and assistance. They will drop and initiate programs simply

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because of U.S. opposition and encouragement. In fact, they listen so receptively to U.S. advice that we must be careful to present a consistent package of positive recommendations. The first requirement for improving GVN performance is to improve our own policy recommendations and negotiating techniques.

A major obstacle to GVN cooperation has been their doubts concerning the durability of the U.S. commitment. Though this may seem perverse in the light of present U.S. policy, it is understandable. On the one hand, they are being asked to adopt policies that will drastically distort their economy in an effort to accelerate the war effort. They are being asked, moreover, to adopt measures that will curtail their freedom of diplomatic action and profoundly change their administrative structures and procedures. On the other hand, they hear that U.S. policy toward their country is based on domestic political considerations. They are aware that a sizeable body of U.S. opinion is hostile to our present commitment. They are made constantly aware of U.S. dissatisfaction with their performance. In the face of the uncertainty these facts produce, our obligation is to exhibit patience and concern in meeting their doubts. We must help the GVN to obtain the necessary self-confidence to act vigorously. To do this we must recognize their need for U.S. support based on mutual interest extending beyond the period of insurgency and looking toward the establishment of a viable peacetime Vietnamese economy. U.S. support is the foundation of present GVN policies; to improve the latter, we must allay their doubts about the former.

Success in convincing the GVN of the durability of our support will not eliminate all problems. Ever since the U.S. entered the

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foreign aid field it has had to face the problem of impairing incentives through the substitution of aid for domestic effort. We cannot let the GVN assume that if they don't do their job we can and will do it for them. The attitude of the present GVN is basically constructive, but there is always a temptation to assume that U.S. aid can substitute for their own efforts. While persuasion, explanation, and reassurance are necessary, pressure will also be needed. Techniques that tie our assistance more closely to their performance -- such as provision of funds on a contingency basis -- can be evolved. We must also constantly stress to the GVN the importance of their actions to the successful prosecution of the war.

TRANSFER OF RESOURCES

A concerted program to increase domestic output and employment will require fuller use of domestic resources, as well as the transfer of additional resources from the U.S. and third countries. While some of the required resources can be captured from hitherto unused domestic sources -- from the pools of underemployed workers and uninvested monetary capital -- an expansionary economic program will also require the support of additional external resources transferred through the import market. Our review indicates that there is no economic barrier to this transfer.

It is not true that a large volume of imports brought in under the Commercial Import Program will stifle domestic production. There is evidence to the contrary in the form of large unrealized profit opportunities in many industries. These unrealized profit opportunities demonstrate that the current lack of domestic investment must be

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attributed to other barriers. These include complicated government procedures and a climate hostile to private investment, as well as uncertainty about the durability of U.S. support and the future of the government.

An expansionary economic program will generate an increased demand for all goods, including imports. The U.S. must stand ready to make these needed resources available. If we do this, these additional imports will supply the supplementary materials and equipment required by domestic producers. They will also assure that the increase in incomes will be made real through the purchase of additional goods, and not result in inflation. Such a policy will enable fuller utilization to be made of domestic resources, while at the same time enabling the U.S. to transfer productively more resources in support of the war effort. ;

GVN ADMINISTRATIVE CAPABILITY

New GVN programs are often considered undesirable because they will stretch even thinner the "thin veneer" of administrative talent and capability in Vietnam. But the main obstacle is not a shortage of people who can do the job; there is more administrative capability than is currently being used. The obstacle lies in the organization and motivation of those already available, particularly in the middle and lower levels of administration. More demanding leadership will call forth better performance from these people. An important corollary is that new programs are not necessarily in conflict with old. To do a better job in one area does not mean that a poorer job has to be accepted in another.

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The "administrative problem" as it relates to rural programs is to find ways and means of increasing the authority and improving the performance of provincial, district, and village authorities. It is a lack of decentralized authority and financial control that is impairing rural administration, not an over-all shortage of administrative ability. A good start has been made in overcoming these obstacles. The current pacification plan provides a means of increasing the effectiveness of the present officials at the same time that it increases the urgency of doing so. Increased decentralization of control over funds, increased local control of programs, better and more numerous rural cadres, will directly improve the quality of rural administration.

In brief, we believe that much can be done to improve GVN performance with present administrative resources. Also, these resources can be increased quickly through the provision of foreign experts, not necessarily U.S., working directly for the various GVN ministries. Each ministry needs expert help. The U.S. should indicate its willingness to finance such assistance and encourage the GVN to request it. Increased use of foreign specialists working within the GVN would not only improve the present quality of GVN policy-making and administration, but would also provide a simple means of training Vietnamese officials and increasing Vietnamese competence.

THE LEVEL OF U.S. AID

The program changes we are recommending will require additional resources from the U.S. Many of them can be supported by funds already appropriated, but which are likely to remain unused unless the GVN starts new programs. Assuring that these programs are in fact initiated

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should be a major short-run concern of U.S. policy. We should, nevertheless, also be prepared to provide additional funds if they are necessary to start desired programs. The additional cost of the required programs is not high compared to the amounts already being spent and in relation to the importance of this war. Surely if we can make up our minds about what we want the GVN to do, we can give them the necessary financial and technical support.

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Date: 3/20/92

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