FY 1975

Comments on the Vietnam Section of "Military and Economic Aid to Indo-China, A Paper Submitted to Congress by the Indochina Resource Center and the National Action/Research on the Military Industrial Complex (NARMIC)

General Comments

A reader of this document is struck immediately by the amount of research and work that must have been done to acquire basic data and then to manipulate it in an attempt to influence its target audience, the Congress of the United States. It took considerable effort and expertise to present only material that attempts to damn the Government of Vietnam (GVN) and to belittle all of the considerable progress, both developmental and social, made in the Republic of Vietnam, and at the same time to avoid criticizing the North Vietnamese and their Provisional Revolutionary Government (PRG) in the South, who have continued their assassinations of village leaders and similar acts of terrorism. In fact, this document presents only those newspaper quotes which seem to attest to the willingness of the PRG to abide by the Paris Ceasefire Agreement and mentions nothing about the flagrant disregard of the terms of the agreement by the North Vietnamese and the PRG.

The facts are that the GVN has made considerable progress in all fields of development, with many examples given in the FY 1975 submission to Congress of the Indochina Postwar Reconstruction Programs. The GVN has made honest attempts to cooperate with the North Vietnamese and the PRG in order to implement the terms of the Paris Ceasefire Agreement, but the PRG has rebuffed all of these attempts. Some examples of this are given in the following paragraphs.

The following comments are keyed to the headings given in the IRC/NARMIC presentation to the Congress. No attempt has been made to answer in detail every misconception presented by IRC/NARMIC, but it is believed that sufficient information is provided to show that the IRC/NARMIC presentation is patently misleading and irresponsible, as well as false with respect to key passages.

Objectives of U.S. Assistance (p. 5)

No one can disagree with the objectives of contributing to an immediate end of the fighting and the beginning of reconciliation, to move to a peacetime independent economy, and to alleviate suffering. The key word here is "reconciliation," and not the "surrender" to the PRG of the 95% of the South Vietnamese people who are not under North Vietnamese/PRG control.

Introduction (p. 5)

The AID FY 75 Congressional Presentation is a request for humanitarian and economic aid, and is not intended to inform the Congress of the political situation in Vietnam - this is done by the State Department.

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The focus of the AID request is not merely "on remedying the continuing ills of Saigon's economy." The AID program will meet the humanitarian needs of refugees, orphans, and other war victims and also finance a development effort which will hasten Vietnam's economic self-sufficiency. Economic assistance is also vital to the humanitarian needs of Vietnam, as employment and locally produced food will greatly reduce welfare needs.

President Thieu has not failed to win the loyalty of his own people as claimed by IRC/NARMIC. While it is impossible to be precise about the number of South Vietnamese who support the present Government as opposed to the Communists, or to measure the degree of their enthusiasm for the Government, there is ample evidence to indicate that the Government would overwhelm the Communist side in a fair and free election or in any other meaningful test of popular opinion. Even the Communists realize this, which is why they have so persistently rebuffed all Government efforts to implement the provisions of the Paris Agreement calling for internationally supervised elections.

First of all, there is the evidence of the refugees. At one point or another during the war, over half the people of South Vietnam have had to flee their homes. Almost without exception they have fled to Government-controlled areas, even when it would have been easier and safer to remain where they were and accept Communist rule or to move to Communist-controlled areas. This continues to be the case today, whenever the fighting generates new refugees. Also, it would be relatively easy for anyone who so desired to move into a Communist-held area -- yet very few people have exercised this option.

Secondly, there is the evidence of elections and other expressions of public opinion. Of course there has never been a direct electoral contest between the Government and the Communist side. The principal reason for this is that the Communists refuse to agree to an election. However, on several occasions the Communists have sought to turn elections held by the Government into a sort of plebiscite by calling on the South Vietnamese people to boycott the elections -- and they have backed these calls by threats and violence, including attacks on polling places. However, the vast majority of the eligible voters have always cast ballots in these elections in spite of the Communist-called boycotts, with participation in recent years running at about the 90% level.

Although there are no scientific opinion surveys in South Vietnam comparable to the Gallup Poll, all surveys which have been conducted indicate that the people prefer the Government to the Communists by an overwhelming margin. This is also the conclusion of most outside observers who have lived and worked in South Vietnam in close contact with the people.

Finally, there is the evidence of mass participation on the side of the Government. There are over a million full-time soldiers fighting for

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the Government, as compared to only about 100,000 native Southerners fighting full-time for the Communists. (The bulk of Communist military strength in the South is regular North Vietnamese Army units and North Vietnamese fillers in Viet Cong units.) The Government soldiers could readily defect to the other side if they chose to. Also, there are another half a million South Vietnamese under arms part-time in the Government-organized People's Self-Defense Force, and still another half a million people participating in the Government as members of the police and the civil bureaucracy. Consequently, there are over two million people actively and directly participating in the Government's war effort. Taken together with their immediate families, this represents well over half of the total population of South Vietnam. Clearly, if the Government lacked popular support, or if the Communist alternative were widely preferred, these people would use their guns against the Government rather than for it, or would at least desert rather than run the daily risk of death in battle or assassination at the hands of Communist terrorists.

There is simply no doubt about which side is preferred by the vast majority of the South Vietnamese people. This is why the Government is confident that it could win in competition with the Communists in any fair and free election.

The Paris Agreement (p. 5)

The IRC/NARMIC discussion implies, among other things, that the refugee population is prevented from returning to PRG areas and that they would like to do so; that there is a considerable "third segment" or neutral political force; and that President Thieu could not successfully compete in a political contest with the PRG. These implications are not true.

Saigon's Policy Toward the Agreement (p. 6)

The charge that the GVN failed to disseminate the complete Paris Accords is completely false. On the morning of January 27, 1973, as the parties were signing the agreement in Paris, the RVN Ministry of Foreign Affairs invited Vietnamese and Foreign newsmen to the Ministry to receive the whole texts of the Paris Agreement and the related protocols in both Vietnamese and English. The evening bulletin of the Vietnam Press also carried the whole text in Vietnamese and English on January 27, 1973. The biweekly magazine of the RVN armed forces in a special issue on March 15, 1973 also carried the whole text in Vietnamese and English. It also carried the protocol of the mine clearance on the waterways of North Vietnam and the act of the Paris International Conference on Vietnam. Also, there have been later disseminations of the full texts of the agreement and protocols.

The South Vietnamese Government has made vigorous efforts to implement both the military and the political provisions of the Paris Agreement. However, short of abject surrender, the South Vietnamese cannot achieve peace unilaterally. In the face of the continuing North Vietnamese mili-

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tary buildup and increased military pressure, for example, they have found it necessary to take appropriate military action, including counter-attacks to regain lost territory. In spite the massive and flagrant Communist violations of nearly every provision in the Agreement, however, the South Vietnamese remain committed to doing everything within their power to implement it, and their record in this regard has been as good as the circumstances permit.

The Communists have repeatedly refused the South Vietnamese Government's proposals to hold the internationally supervised elections specified in the Agreement. However, the Government has continued to conduct elections under the terms of its 1967 Constitution. Half of the Senate was elected in August 1973, and elections for municipal and provincial councils throughout the country were held July 14.

In April 1973 the South Vietnamese Government proposed a seven-point plan for a political settlement, including internationally supervised elections on a specific date, in accordance with the terms of the Agreement. This proposal was renewed on four occasions, most recently on March 29, 1974. However, the Communists never seriously discussed this plan and have never agreed to a specific date for elections.

The South Vietnamese have cooperated fully with the International Commission of Control and Supervision. They have paid their share of the ICCS budget, for example, and immediately after the ceasefire deployed their Joint Military Commission teams to all JMC/ICCS sites in areas under their control. The Communists, on the other hand, have refused to pay their share of the budget and to deploy their JMC teams.

The South Vietnamese have repeatedly proposed concrete measures to promote better implementation of the ceasefire, but the Communists have rejected them in favor of vague calls for a generally unsupervised ceasefire. In spite of the many difficulties posed by the Communists, the South Vietnamese Government remains committed to implementing the Agreement. On May 16, 1974, for example, Foreign Minister Bac declared his Government's willingness to resume immediately the Joint Military Commission meetings the Communists broke off, to open direct negotiations with North Vietnam at any time, and to resume the political talks with the Viet Cong in Paris as soon as the Communists show goodwill for peace through concrete acts.

The PRG's Policy Toward the Agreement (p. 7)

It is clear that the Communist side is basically responsible for the failure to achieve satisfactory implementation of the Agreement. As previously indicated, the South Vietnamese Government has made vigorous efforts to carry out the provisions of the Agreement; the Communists, on the other hand, have resisted this except for articles -- such as mine clearing in the North -- which are clearly advantageous to them. Because of the impossibility of determining which side actually controls some disputed areas, and the action-reaction progression of hostilities, it is sometimes difficult to fix "blame" for any particular incident. The overall, strategic aggressor, however, has most certainly been North Vietnam, as its aging leaders continue their efforts to gain political power in the South, by military means if necessary.

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Some examples of Communist offensive incidents are:

- The first of several land-grab offensives, in the hours immediately before and immediately after the ceasefire went into effect, in which Communist forces seized some 500 hamlets.

- The shooting down of a helicopter of the International Commission of Control and Supervision (ICCS) in Quang Tri Province in April, 1973, resulting in the death of nine people aboard.

- The shelling of Bien Hoa city and airbase in November, 1973, and again in June, 1974.

- Sapper attacks against the Nha Be civilian petroleum storage facility on the outskirts of Saigon in December, 1973, and May, 1974.

- A division-size offensive in Quang Duc Province in November, 1973, which resulted in the seizure of a district town and three outposts which has been under clear South Vietnamese Government control for years.

- Attacks against and seizure of several remote South Vietnamese military outposts along the Laos and Cambodian borders at various times since the Agreement.

- The March, 1974, mortaring of an elementary school at Cai Lay in Dinh Tuong Province, which killed 32 school children and wounded 50 others.

- Continued shellings and attacks against refugee resettlement areas.

- The two-division size offensive in Binh Duong Province, just north of Saigon, during May and June, 1974.

South Vietnamese forces have reacted vigorously to these and thousands of other major and minor Communist ceasefire violations, with counter-offensives to regain lost territory and other retaliation, including strategic airstrikes. They also have consolidated their own positions in disputed areas, as have the Communists whenever possible.

The U.S. and South Vietnamese Governments have complied with the provision allowing periodic replacement of piece-for-piece replacement of war material; in fact, American deliveries of war material have not even reached the one-for-one replacement level permitted. Unfortunately, however, the specified JMC and ICCS inspections have not been possible because of Communist refusal to designate points of entry for their supplies, to deploy their JMC regional and sub-regional teams, and to permit ICCS teams to operate in areas under their control.

North Vietnamese violations of Article 7 have been both massive and flagrant, as evidenced by their extensive military buildup in South Vietnam. In terms of manpower, weaponry, and logistic support, their

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forces are stronger than ever before, even during the peak war years.

To help support their augmented forces, the North Vietnamese have greatly improved their logistics system, especially their road network leading into the South; and they have rebuilt their depleted armament stockpiles to the point that we estimate that they could sustain for over a year a major offensive comparable to their 1972 Easter offensive. In fact, during the last several months alone they have brought in enough ammunition to sustain a 1972-level offensive for over a year.

The Communists have not only failed to cooperate in resolving the status of Americans still missing in action, they have actively obstructed American and South Vietnamese efforts along these lines -- in December, 1973, they ambushed an unarmed US - South Vietnamese team searching for the bodies of missing Americans and one South Vietnamese. The Communists have been equally uncooperative and obstructive with regard to South Vietnamese Government personnel dead and missing. In meetings of the Four Party Joint Military Team, the body primarily concerned with implementation of this provision, the Communist delegations have engaged principally in polemics and have staged several walkouts for propaganda purposes, most recently on June 22.

One of the Communists' strongest demands is that the Government insure "democratic liberties" for the people, but they do not address the question of "democratic liberties" in Communist-controlled areas.

The Government correctly contends that there is already a much greater degree of political freedom in its areas than in any Communist-controlled areas. As part of an overall settlement, and prior to elections, it has offered "the lifting of all restrictions on democratic liberties necessitated by the state of war."

Negotiating Position of the Two Sides (p. 8)

The negotiating positions have been described already under "Saigon's Policy Toward the Agreement." It would be utter nonsense for the GVN to lay down its arms and in light of previous experience expect the Communists to do the same thing, and then proceed to negotiate a settlement. The GVN requires some agreed upon safeguards before ordering its troops to quit fighting. The PRG cannot successfully compete against the GVN politically and has, therefore, adopted delaying tactics, hoping that ways can be found to weaken the RVN economically and thereby erode the strong political position of the GVN.

Nixon Administration Policy Toward the Agreement (p. 8)

Since the signing of the Vietnam ceasefire agreement, the United States has been in constant liaison with the interested parties, including those outside of the Indochina area. While it would not be useful to provide details of all of these contacts, we can state that we have used every means at our disposal to encourage a reduction in the level of violence and an orderly resolution of the conflict. We believe these measures have had some success; the level of the fighting is down substantially from 1972. Further, the interested outside parties remain basically committed to building on the framework of the ceasefire agree-

ment.

When Hanoi established a pattern of serious violations of the Agreement shortly after its conclusion, Dr. Kissinger met with Special Adviser Le Duc Tho and negotiated the Paris Communique of June 13, 1973, with a view to stabilizing the situation. Secretary Kissinger returned to Paris in December, 1973, to again discuss with Special Adviser Tho the status of the implementation of the Agreement. We will continue to maintain such contacts with Vietnamese and other parties in the hope that Hanoi will eventually be persuaded that its interests lie in peaceful development rather than in conflict.

The South Vietnamese Government has cooperated in our efforts to promote better implementation of the Agreement, since it shares with us this basic policy objective.

In another sense, the most important action we are taking, and can take, to promote a more effective ceasefire and evolution toward peaceful accommodation, is to provide to South Vietnam the assistance she requires to defend herself, to begin serious reconstruction and development, and to maintain the balance of power which has facilitated the progress toward a just peace that has been made thus far.

Current Economic Situation (p. 9)

The following paragraphs give a factual and accurate description of the RVN economic situation. The IRC/NARMIC discussion under this title is more a series of allegations and a polemic than a discussion of the economic situation in the Republic of Vietnam. Our comments concerning the economic situation also are presented under the section entitled "Foreign Private Investment."

The recession in business activity initiated by the 1972 North Vietnamese offensive and the disruption and refugee burden it created, continued adjustment to the U.S. troop withdrawal, reduced foreign aid, lower real import levels, and increased urban unemployment of 1973 have continued into 1974. Increases in world prices of grains, petroleum, fertilizer, soybeans, plastics, machinery and iron and steel products are having their effect on the functioning of the economy. Dollar import prices remain largely at or above the inflated levels of 1973. The USAID retail price index increased approximately 29% during the first six months of 1974; over the same period in 1973, the increase was approximately 24%. POL was the most important single factor behind the first half price increases.

On the positive side, international oil companies' major exploration efforts are continuing and are expected to expand, and commitments for future aid have been made by Japan, France, Australia and the Asian Development Bank. While security conditions remain too uncertain to permit significant demobilization or reduction in budget outlays, expenditures for security-related purposes in 1973 were lower as a proportion of total budget expenditures than in previous years, with the trend continuing into 1974. Moreover, the refugee camp population declined from 675,000 at the beginning of 1973 to approximately 44,000 as of mid-July 1974, and plans are underway to reduce this further.

With respect to domestic production, after growth of nearly 3% in 1971 and stagnation in 1972, Gross National Product (GNP) in real terms is estimated to have increased by about 3% in 1973. In early 1974, agricultural output continued to grow while the downward trend in industrial production accelerated. The IMF has estimated that for 1974 as a whole, aggregate GNP in real terms may show no growth.

Despite the political temptation to ease the pressure on the populace, the GVN has continued its good record of self-help performance. Domestic tax revenues, which showed large increases in 1972 over 1970, and 1973 over 1972, continued to move ahead in 1974, with revenues for the first half of this year 88% ahead of the same period last year, 13% ahead when the effects of inflation are removed from the figures.

With respect to imports and exports the picture is mixed. Merchandise exports continue their climb but the rate of increase has slowed substantially. In 1973, the level of merchandise exports reached an estimated $60 million, up from $12 million in 1971 and $23 million in 1972. Physical volume rose by some 67% over the year. Forestry and fisheries products, rubber, and scrap metal accounted for 62% of total exports in 1973. Export earnings for 1974 presently are being projected at $90 million. For the first half, exports were $42.8 million.

The preliminary estimated value of commercial imports on a payments basis totalled approximately $716 million in 1973, up from $678 million in 1972. In real terms, imports declined an estimated 22%, as the consequence of an increase in average import prices by 35% during the year. There were shifts in the composition by value of imports, primarily because of price factors, government tax levies, and supply shortages. The major shifts include a decline in non-food consumer items, a doubling of GVN-financed food imports, and a one-third decline in textiles. A GVN estimate of the total level of imports in 1974 is $866 million. Shortages in the U.S. of certain commodities such as fertilizer, and iron and steel, may limit procurement of these and other products from the U.S. under the Basic Commodity Program.

The IRC/NARMIC charge that the U.S. provides over 86% of the RVN's total operating costs is a gross exaggeration. It is estimated the GVN expenditures for CY 1974 will be 700.0 billion piasters which will come from the following sources:

SOURCE	(VN$ Billion)	% of Total
GVN Tax Revenues	345.0	49.3
GVN Treasury Bonds	40.0	5.7
U.S. Counterpart Sources	214.0	30.6
Other Donor Credits	13.0	1.8
GVN National Bank Advances	88.0	12.6
	700.0	100.0%

Proposed FY 1975 Program (p. 11)

As shown previously in this paper, the North Vietnamese Government and the PRG have ignored all initiatives by the GVN to implement the Paris Agreement and have continued to subvert its terms by continued terrorism against villagers, including kidnappings, assassination of officials, and indiscriminate shelling of civilian targets.

Specifically, considering the suggested actions proposed by the IRC/NARMIC, it is not possible to require the South Vietnamese to end all offensive military operations when, except for counter-offensives to recoup losses and retaliations for clear Communist provocations, the Government is not conducting any such operations. The North Vietnamese have been and remain the strategic aggressors.

Secondly, the South Vietnamese Government has done its best to negotiate an agreement demarcating firm zones of control, but the Communists have refused to negotiate in good faith, preferring to use the Two Party Joint Military Commission and other negotiating bodies for polemics and propaganda. On June 22, in fact, the Communists announced indefinite suspension of their participation in the Two Party Joint Military Commission -- in an effort to force the Government to grant to their delegates in Saigon additional "privileges and immunities" not specified in the Agreement. Consequently, there is no question of South Vietnamese willingness to agree on zones of control -- it is the Communist side which has been and is still blocking progress on this matter.

Thirdly, the Government does not object to broadcasting ceasefire orders and has in fact done so on past occasions. However, one of the current Communist demands is for still another ceasefire proclamation, after which they propose implementing some loosely-defined enforcement procedures. The Government maintains that before there can be a real end to the shooting, there must be some agreement on procedures and effective enforcement mechanisms (e.g., progress on delineation of areas of control and deployment of joint and international truce supervisory teams to regional and sub-regional sites, as specified in the Agreement). In view of the massive Communist violations of the two previous ceasefire proclamations, this Government position is wholly justified.

Eliminating American aid for the GVN would not promote reconciliation but it would force the surrender of the South Vietnamese people to a minority of less than 5% of the total South Vietnamese population, the surrender of a people who have been armed by their government down to the hamlet level so that they could protect themselves from terrorism and forceful take-over, the surrender of a people who have fought North Vietnamese inspired violence for over twenty years.

Post-War Reconstruction Assistance (p. 12)

In relation to the questioning of categories of assistance, it is obvious that commodities procured with dollars and used in agriculture production contribute to both economic stabilization and to economic development. The movement of refugees from the stultifying atmosphere of refugee camps to resettlement sites is primarily humanitarian in nature but there will be eventual economic development benefits accruing as more

and more land comes into cultivation. The elements of the FY 1975 assistance program have been placed under the category which they benefit most directly.

The refugee program is not designed to serve a strategic political purpose. Its objective is to help refugees live a better life and eventually to earn their own living. If the refugees really wanted to come under North Vietnamese PRG control, there is no way the GVN could effectively keep them from slipping away, just as the NVA could not prevent many of them from fleeing to the GVN. It would be foolish to settle refugees in contested areas for strategic reasons if the GVN really was seriously trying to prevent all freedom of movement.

The reconstruction and development program is much more than short term economic aid. For example, the planned improvements in rural credit, providing capabilities for double cropping, encouraging fish farming and preventing salt water intrusion on crop land will have long lasting benefits to the RVN as well as the people directly involved. This is also true of the assistance given to agro-industry and to export processing.

Since there was confusion in prior years concerning the full benefits of the Commodity Import Program, it was decided this year to show which programs are being assisted directly, while fully acknowledging that commodity imports also assist in achieving economic stability.

We believe it is more meaningful to place under humanitarian assistance, rather than stabilization or economic development, the $4 million proposed for refugee housing materials and the $6 million proposed for fuel and oil for transport of refugees to resettlement sites and for the initial clearing and cultivation of cropland. The $10 million of commodities in this example are labeled as "basic commodities" in our submission to Congress, so there is clearly no intent to hide this intended procurement under new labels.

The suggested deferral of the postwar reconstruction program is not a way to permit a negotiated political solution in Vietnam, it is the way to force the complete surrender of a courageous people to a small minority, a minority which would be insignificant without the backing of North Vietnamese troops, settlers and supplies.

Welfare programs and health assistance projects have little long term meaning if the people assisted are then unable to find employment or if sufficient food is not always available. Our development assistance to the GVN is directed toward preventing the Vietnamese people from becoming permanantly dependent upon international charity.

Refugee Relief (p. 13)

A massive return to village and resettlement program began soon after the ceasefire. Some 675,000 people were in camps at the end of 1972; 489,000 were in camps June 30, 1973; 234,000 were in camps December 31, 1973; and 54,000 were in camps June 29, 1974. These figures do not

completely gauge the success of the GVN in moving refugees from camps to villages or to sites where they have some hope of reestablishing themselves; new refugees continually flowed into camps so none of the camp figures given above are comprised solely of refugees who were in camp the preceding month. Approximately half of the 54,000 refugees in camp June 29, 1974, are Cambodians who fear to return to their homeland at this time.

In relation to the charge that refugees are prevented from returning to Communist areas, there is no record of the GVN forcing people to remain in camps or in resettlement sites. Also, the GVN does not have the practical means to prevent families from slipping back into VC held areas, even if the GVN in the future did decide against this movement - but we do not foresee any change in VN policy in this regard. We also have no indication whatsoever that refugees would desire to place themselves under PRG control.

The very few resettlement villages with security fences are located in areas where fighting has erupted and where attempts at infiltration are continuous. The fences are not to keep the people in but to keep out infiltrators and prevent them from terrorizing the population. All of the families living at these sites have been offered land and resettlement assistance in more secure areas. Some have accepted the GVN offer and have left, and others desire to stay and are permitted to do so. Incidentally, most of the security forces at resettlement sites are drawn from the resettlers.

Resettlement (p. 14)

The primary purpose of resettlement is to provide land and opportunity for those who take part in the program. It is apparent that this results in the expansion of areas inhabited by "GVN supporters." However, there is no evidence that this factor has influenced decisions on the selection of resettlement sites. In fact, Mr. Welles Klein a member of the staff of the Senate sub-committee of the Judiciary, chaired by Senator Kennedy, stated after a recent trip to South Vietnam that "there seems to be no indication that the GVN is using refugee resettlement for territorial acquisition and control purposes." Availability and adequacy of land and the consent of the people being resettled are the prime criteria. All resettlement sites are certified by the Military Region as being secure before any people are moved to the area. Most resettlement areas are located along national roads or provincial lines of communication for greater safety. Obviously, no site in rural Vietnam can be "guaranteed" enemy-free.

There is no record of the referenced quotation by Consul-General Walkinshaw in any correspondence sent to the regional commander. According to the subcommittee report, Consult General Walkinshaw wrote to General Minh

on April 3, 1973. The Mission files show a Walkinshaw letter dated April 4, 1973 which reads as follows:

Dear General Minh:

As you are well aware, South Vietnam has placed priority during this critical period on the resettlement in Military Region 3 of displaced war victims from other military regions. The primary aim of this program is to assist those persons whose lives have been ravaged by this war to find a better life and help bring economic viability to the country.

It seems to me that as security improves this resettlement program will intensify. Accordingly, I recently requested my province teams to provide me with maps and statistics indicating where, in their judgement, additional resettlement sites might be located. Their views are indicated on the attached map. You will note that there are 34 sites proposed that could handle approximately 220,000 people wishing to settle in Military Region 3. Also, the detailed statistics related to selection criteria are available and I would be happy to turn them over to your staff if they would find them useful.

Forward planning is the key for proper resettlement, and hopefully this resettlement plan can be of use to your staff as they move forward in their planning. I am prepared to lend the full support of my office in seeing the resettlement program succeed. Please do not hesitate to call on me for any assistance that I may render in this important area.

Sincerely yours,

Robert L. Walkinshaw,
Consul General

It is believed by the USAID Mission in Saigon that the purported April 3 letter was a draft by a staff member which was not accepted and not sent.

One cannot assume that the ceasefire agreement automatically gave all unsettled land to the PRG. We have no information indicating that refugee resettlement has been responsible for placing the GVN in areas where the GVN had no military presence before the ceasefire. It should be recognized that large areas of South Vietnam have not been under anyone's military control, but GVN patrols and Communist patrols have passed through these areas periodically.

The GVN does not force Vietnamese to resettle and does not need to use coercion. At present there are approximately 600,000 applications from refugees and from the urban poor to join the resettlement effort.

Resettled refugees do not face starvation when the six-month allotment of rice runs out. Food support is completely withdrawn only when the refugees are in a position to provide their own food. The GVN has prevented widespread hunger through the operation of its welfare program. The target of 6 months is not for complete self-sufficiency but partial self-sufficiency, which is usually attained when a crop has been harvested. No one believes that most of the refugees resettled in the past have attained complete self-sufficiency or that those to be resettled this year will achieve self-sufficiency within a year. Resettlement is no easy task. The settlers know it will take time but for the most part are happy to have the opportunity and assistance to resettle. However, there are many success stories where refugees are earning their own livelihood in a shorter period of time than expected.

The GVN is rightly proud of their record in resettlement. In fact, Mr. Welles Klein, who was cited above, stated: "The refugee resettlement program has been carried out under the guidance and leadership of Dr. Dan, the Deputy Prime Minister. I think we were really quite surprised at the effectiveness of the program."

Many of the resettlers are earning their own living and others are making progress toward this goal. Of course, it would be ideal to place people on only the very richest soil, to have full analyses of the site, have the land cleared and perhaps even complete plot and homesite distribution before they arrive; to transport people at the optimum time for planting crops; to be absolutely positive that the site selected was at the time and forever more would be secure; and to otherwise have a full range of sure-fire contingencies to cover every possible occurrence. Such precision and care might be possible if the GVN were allowed to focus on the leisurely resettlement of small numbers of people. However, hundreds of thousands of people are involved in a huge undertaking; land availability in relatively secure areas plus the desire of people to leave camps or escape from dead-end lives in the city have been key factors in the resettlement process and have had to take precedence over scientific soil analyses or city planning. Most ideal would be to have a true ceasefire and peace in which people are no longer being killed and maimed by NVA mines, rockets, mortar shells, and bullets.

Further resettlement is necessary to accommodate those who were, due to the force of circumstances, settled on land that is too poor to allow them to become completely self-sufficient.

In-Camp Refugees (p. 14)

The GVN, during the crash refugee programs following the NVA invasion, did the best it could with available resources to make temporary camps liveable. The absence of epidemics and starvation indicates that considerable resources and effort were expended. All refugee camps in all wars are miserable, and the GVN has tried to eliminate them as soon as possible by giving refugees an opportunity to earn their own way.

In-Place War Victims (p. 14)

Some of the allegations made in this section have been answered in earlier sections. The allegation that refugees are treated as in-place war victims is unfounded. In-Place war victims are people who qualify for compensation but who stay in their own villages. Some of them may have very temporarily left their villages but remained in the immediate vicinity.

Corruption in Vietnam is a serious and longstanding problem just as it is in many countries throughout the world, particularly in less developed areas. However, close auditing and end-use checks have demonstrated that virtually all of the funds and commodities are being used for the designated purpose and reaching the appropriate recipients. Moreover, the RVN has recently stepped up its campaign against corruption with significant results. Late last year, for example, irregularities in the refugee relief program in DaNang were uncovered and eliminated. Camp officials have been dismissed. We believe the GVN currently is making a serious and effective effort to deal with the problem of corruption.

City-to-Farm Program (p. 15)

There is little substantive difference between the refugee resettlement program and the proposed city-to-farm program. Both are humanitarian programs designed to give assistance to families who have no hope of providing for themselves if they remain in their present circumstances, refugees in the one instance and urban poor (who may have been refugees) in the other. These people are given a big psychological boost just by the fact that they are helped to move to a new location where there is the possibility of eventual rehabilitation. The allegations that this program is merely a means of enabling the GVN to control more of the countryside is false.

Child Care (p. 16)

As a result of GVN and U.S. efforts, orphanages which once were deemed inadequate are now considered adequate, and they are being further improved as are all child care services in the RVN. Providing humanitarian and development aid is quite in accordance with the terms of the Paris Agreements. In the case of child care, as well as health and refugee and resettlement assistance, our concerns are strictly humanitarian in nature, and other benefits resulting from our joint efforts with the GVN are welcome side-effects.

Roughly half of the refugees are children and therefore a large portion of AID funding for refugees is a form of child care. Our FY 1973 program for child care, excluding these refugee children, was $1.2 million plus $5 million for child health care. Including the refugee children and PL 480 Title II foodstuffs, the total was nearer $32 million.

In FY 1974, in part at the urging of the Congress, we launched an enlarged $7.6 million child care program (the Congress earmarked $5 million) to provide increased food allowances for orphans, improve orphanages, assist handicapped children, improve day-care facilities and improve other similar child care services. All areas of assistance to children --- refugees,

health, child care, PL 480 Title II --- provided about $42 million in total in FY 1974. $8.2 million for the Child Care Project alone has been requested for FY 1975.

Health Care (p. 16)

From FY 1965 through FY 1974, AID has provided $170 million for health care programs. For some years, this ran at a rate of over $20 million annually as hospitals were built and large numbers of Americans were used in both operating and training roles. With construction largely complete, with larger numbers of trained Vietnamese available, and with somewhat reduced intensity of fighting, A.I.D. annual funding has been reduced to what we consider the GVN can efficiently utilize in expanding and improving the present health infrastructure.

The FY 1975 public health request for $10.3 million reflects the transition from wartime priorities, including the treatment of civilian war casualties and the establishment of basic services; to developmental problems which have become more evident as the hostilities subside to a somewhat lower level. The objective of the new program is to expand the availability and to improve the delivery of community and preventive health services and to build a national program for rehabilitation of the disabled. The FY 1975 public health program thus proposes to devote $4.7 million to a new project called Rehabilitation of the Disabled to provide expanded services of physical, social and vocational rehabilition focused initially on some 100,000 disabled Vietnamese. An additional $2.0 million is proposed for a Community and Preventive Medicine Project which will address upgrading of public health facilities, training of personnel (including paramedics), expanded immunization programs, and sector planning. The remaining $3.6 million is proposed for the Health Logistics Project to continue to provide basic medical commodity requirements which the GVN is not yet able to meet with its own budget, and to cover remaining costs under the Medical and Dental Education and Public Health Services Projects, which are well on the way to achieving their objectives.

Reconstruction and Development (p. 17)

No one denies that "the still unsettled war constitutes a barrier to South Vietnam's economic development." This is all the more reason for giving credit to the GVN and the hard-working Vietnamese people for the considerable advances they have made in the field of economic development. It is almost mind-boggling to discover that the farmers in war-torn South Vietnam have exceeded the rice production attained in the record export year of 1935 when rice and rice product exports from all of Vietnam, both North and South, amounted to over 1.7 million metric tons. Total rice production that year was 5.9 million metric tons produced on 4.4 million hectares in both the north and the south of Vietnam. The 6.3 million metric tons produced in South Vietnam alone in 1972/73 were grown on 2.7 million hectares or about 60% of the hectarage used in 1935. Also, the year of greatest rice production was 1938/39 when almost 6.8 million metric tons of paddy were produced. It is expected that the South Vietnamese will exceed this amount within the next few years, without substantial increases in hectarage and

assuming the continued availability of fertilizer at reasonable prices. (In fact, the total production in the 1973/74 crop year may have exceeded the 6.8 million ton figure.) Since the welfare of the South Vietnamese people depends upon agriculture production, the GVN plans to make fertilizer available to Vietnamese farmers if the U.S. and other donors can help the GVN to import it. The GVN has also requested multilateral assistance in the financing of a fertilizer plant, which is a very long lead-time venture, and must be financed now in order to produce fertilizer before 1980.

Increased agriculture production not only provides the foodstuffs for all of the South Vietnamese people but it also helps the owner-operators of the Vietnamese farms who now own 75% to 80% of the cropland thanks to President Thieu's land reform program. Over a million hectares of riceland alone has changed ownership under this program.

The proposed reconstruction and development projects will assist the GVN in their efforts to further increase agricultural and industrial employment and production and to provide more foreign exchange through both import substitution and exports.

Commodity Support (p. 18)

The term "Commercial Import Program" (CIP) has been eliminated from the Congressional Presentation for 1975 due to the consistent misunderstanding that the name has engendered in the past. There has been a tendency to identify the CIP with the importation of consumer goods; this is not the case. Therefore, this year we have identified the imports which we finance by the purposes for which they are being used. Fertilizer, pesticides and other imports required for the production of food have been identified as "Food and Nutrition." Industrial raw materials such as yarns and fibers, chemical products, iron and steel, and wood pulp are included under the category of "Industrial Production", and those imports needed to provide the inputs to operate Vietnam's transportation system have been so labeled. Control systems developed under the CIP in past years, including U.S. review and audit, have been retained in order to assure that goods are ordered and used for their intended purposes. The charge is made that commodity imports will indirectly subsidize President Thieu's military budget and increase his ability to continue making war. Naturally, economic assistance will strengthen the RVN but the text of the Cease-Fire Agreement itself anticipates the continuation of economic and military assistance by expressly preserving the right to unlimited military replacement on a one-for-one basis and continued economic aid for the Republic of Vietnam. (It should be noted that U.S. military assistance has not attained the one-for-one replacement of equipment and supplies authorized under the terms of the Cease-Fire Agreement.)

Food and Nutrition (p. 18)

The IRC/NARMIC allegation that the U.S. assistance to agriculture has substituted a heavily capital intensive agriculture for a labor-intensive

one is unfounded. The proper cultivation of the high yielding varieties of rice is very labor intensive, with the application of fertilizer, water and pesticides requiring more labor than is presently available. As a result, labor in rural areas is now earning 25 percent more than in Saigon and we are seeing labor begin to move from the cities back to the farm.

We are also assisting the Vietnamese to make a fuller use of existing irrigation facilities and develop new low-lift pump projects. Water distribution to the fields is very labor intensive work.

In another vein, our assistance to the successful land-to-the-tiller program has accentuated the traditional Vietnamese small land holding pattern, which does not lend itself to the extensive mechanization which has displaced farmers in many countries.

We have given little emphasis to the mechanization of Vietnamese agriculture. AID procurement of agricultural equipment has been minimal; we provided some demonstration tractors and tillage equipment to the Agricultural Machinery Directorate in 1957 and only an occasional item of equipment since that date. We are encouraging the use of modern low-lift pumps to replace inefficient ones now in use and to permit the growing of crops in the dry season.

The machinery procured by the private sector has been primarily equipment that does the heavy land tillage operation. This has brought additional land into cultivation, much more land, in fact, than could have been prepared through the use of hand labor, which in turn has created more employment. Human skills and labor are required for transplanting, weeding, harvesting and threshing in Vietnam.

In relation to the increased modern low-lift pump utilization we are recommending, there will be a savings in energy through the replacement of inefficient pumps with new ones, and, furthermore, the resulting broadening of agriculture production and employment will greatly offset the cost of pump installation and operation.

Industrial Production (p. 19)

In spite of being hurt by external factors such as the withdrawal of U.S. troops, rapid worldwide inflation and the unusual rise in fuel costs, there is growing consciousness among Vietnamese businessmen and Government officials that economic problems are manageable and that industry can play an important part in economic recovery. The report of the Business International Conference held in early 1974, for example, was notably encouraging about development prospects. American Express recently opened its office to provide management and audit services. A site has been selected for the Hyatt Regency Hotel which is expected to involve an investment of about $16 million. Substantial interest in locating within the new Export Processing Zone has been indicated by a number of companies. Exports during the first five months of 1974 were US$36 million compared to US$17 million last year in the same period.

Based on applications already submitted to development banks thus far in 1974, approved loans are expected to be as much as VN$35 billion, three times the amount approved in 1973. Critical factors are the availability of loans in local currency. Development banks are considering applications, excluding those rejected by preliminary screening, requiring nearly US$47 million (VN$29 billion) in industrial investment although few of these have been financed as yet because of insufficient industrial credit. The Investment Service Center, through December 1973, had approved proposals for projects involving VN$115.5 billion (US$221 million) in investment. During 1974 through June 22, another VN$34.4 billion (US$55 million) had been approved.

Transportation and Miscellaneous (p. 19)

The IRC/NARMIC paper agrees that a certain level of imports is necessary, but what the IRC/NARMIC proposal does not state is that a substantial reduction in imports of petroleum, pharmaceuticals, steel and cement will have a serious adverse impact on humanitarian programs as well as on economic development.

Recommendations (p. 19)

To fund programs labeled humanitarian assistance and to delay other programs will not result in the South Vietnamese people being fed, clothed and housed. It would result in severe human suffering as the levels of humanitarian assistance requested are based upon continuing improvements in employment and production in the RVN.

Multilateral Aid (p. 20)

The Paris Agreements allow economic assistance to be given to the Vietnamese parties to the agreements, which of course includes the GVN. It would be immoral for the respected World Bank to withhold assistance from the GVN for the sole purpose of forcing it to surrender to an enemy armed force.

Foreign Private Investment (p. 20)

In its remarks under "Foreign Private Investment," as in its remarks in the "Current Economic Situation," much of what the IRC/NARMIC is saying is that there has been economic hardship and difficulty in South Vietnam. Although the evidence offered is largely anecdotal and the interpretation overdrawn, no one familiar with Vietnam would argue against the idea that military and security conditions have brought about a situation in which a large proportion of RVN resources have been withdrawn from producing food, clothing and shelter and have been put to work defending the country, nor would there be argument as to whether physical resources have been destroyed and otherwise put out of production by military action. But the IRC/NARMIC makes these points as if the reader would be unaware of them and then says that these problems can be easily solved by telling the GVN to see to it that military and administrative people involved in defending the country - and the refugees who have fled the RVN's adversaries - are sent back to the land to produce needed tangible economic goods. The IRC labels the present disposition of the productive resources of the RVN as a severe structural distortion, as something that is "fundamentally wrong with the structure of RVN's economy."

Given the military and security situation facing the RVN, the present disposition of productive resources in the Republic of Vietnam is not fundamentally wrong. Given the military problem that confronts the RVN - specifically, the tremendous economic burden that faces a country that tries to defend against guerrilla warfare without widening the war against the homeland of the guerrillas and tries to defend against an invasion of regular army troops with the invaders given sanctuaries under the terms of the ceasefire agreement - the disposition of RVN productive resources is eminently sensible. Successful defense against guerrilla attacks requires very large military forces. The U.S., in the depths of its severest struggle - in 1944 - disposed nearly half (44 percent to be exact) of its total economically active productive resources to national defense, and this without the threat of guerrilla attack.

With the statements that the IRC/NARMIC paper makes in its remarks on the economic situation in the Republic of Vietnam, it is trying to induce the reader to accept the idea that the disposition of resources is economically unsound, that it is "an economic problem" and that U.S. aid should be deeply curtailed to force a "sensible" disposition of these resources. Given the situation facing the Republic, the disposition is eminently sensible. Forcing the redisposition advocated by IRC/NARMIC would force the RVN to stop defending itself. It is difficult not to believe that for the IRC/NARMIC and their sponsors who believe that military action is always wrong, the wish has been father to the thought - that the desire to force the RVN to stop defending itself was father to the thought of trying to pin an "economic problem" label on the way in which RVN productive resources are disposed. IRC/NARMIC does not have an argument that the RVN is guilty of mismanagement of its economy; it is left with only its original premise - that the RVN should not defend itself.

The points that IRC/NARMIC makes under the "Foreign Private Investment" section with respect to the matters of capital flight from Vietnam and the extent to which oil exploration contracts have been signed are not germane to the policy issue of whether the RVN should defend itself. As used, they only have meaning as an attempt to discredit the GVN handling of the economy. While these points are not germane to the policy issue, it is important to keep the record straight. During the first six months of 1974, capital inflows into the RVN were extensive. Foreign currency receipts were large. In February, for instance, $14 million in U.S. currency was received. Total currency receipts for the first six months of 1974 amounted to $36.5 million. In the invisibles account, receipts were more than double payments, exceeding payments by $60 million.

With respect to the matter of oil exploration contracts, four more consortiums, representing 13 companies, have signed contracts with the GVN to explore and drill for oil. These contracts are in addition to the ones that proceeded from the negotiations mentioned in the IRC/NARMIC statement.

PL 480 Program (Food for Peace) (p. 21)

PL 480 funds have been used as authorized by and justified to the Congress. Under the PL 480 Title I sales program, the food is purchased from United States suppliers with dollar payment made directly to the suppliers by the Department of Agriculture. The host country importers pay for this food with local currency. Section 104 of PL 480 has authorized the United States to enter into agreements with a recipient country regarding the use of these local currencies, including the use of local currency for common defense purposes. Under this authority, PL 480-generated local currency has been used to meet a share of the military budget requirements of South Vietnam. However, in compliance with Section 40 of the Foreign Assistance Act, no PL 480 currencies will be released for defense purposes after July 1, 1974, unless such currencies were obligated on or before December 17, 1973, the date of the enactment of Section 40.

The charge that the South Vietnamese Minister of Agriculture expressed his intention to export some 50,000 tons of rice this year even though PL-480 rice is imported probably comes from some explanation or discussion of rice export plans by Vietnamese agriculture officials. The official Five-Year Rural Economic Development Plan, which was formulated in 1970, estimated that beginning in FY 1973, some exports would be made of high quality specialty aromatic rice to earn foreign exchange. This aromatic rice sells for 3 or 4 times the value of the ordinary rice that average Vietnamese eat, and the sales proceeds from exports could be used to buy food, if needed. Actually, this export goal was not met as all of the aromatic rice grown was consumed within Vietnam. There have been, however, limited shipments to Cambodia of certified quality seeds of high-yielding rice varieties. These seeds were surplus to Vietnamese needs.

Recommendations (p. 23)

In this section the IRC/NARMIC paper states that once the refugees are able to return to the countryside they will rapidly become self-sufficient in rice, thereby reducing the need for rice imports, while in the resettlement section the IRC/NARMIC paper states that the "resettled" refugees often have little prospect of becoming self-sufficient. The truth is somewhere in between, with the GVN estimating that the resettled refugees will gradually become less dependent upon welfare and eventually earn a surplus rather than just become self-sufficient.

It is GVN and U.S. policy to move away from donations of food in kind and toward self-sufficiency and a market economy. The effectiveness of the food distribution system to date is demonstrated by the fact that there has been no starvation in spite of wartime conditions and natural disasters.

Military Assistance Service Funded Program (p. 23)

U.S. military assistance to the RVN conforms in all respects to the Paris Agreement. The FY 1975 proposal is designed to preserve the rough balance of forces which made possible the movement toward peace -- and toward great power disengagement -- which has taken place over the past two years. Failure to maintain this balance -- which would clearly result from further aid cuts -- would cause renewed instability and

gravely threaten the progress we have made thus far.

This aid is necessary to fulfill our oft-repeated pledges, to friends and foes alike, to see the struggle through. Failure to honor those pledges, and to sustain the purposes they reflect, would erode the value and credibility of our commitments and thereby reduce our ability to conduct effective diplomacy in the Middle East and other world trouble spots. Put another way, our willingness to bear the vastly reduced but still vital burdens we long ago undertook in Vietnam will influence other countries' assessments of our stamina and reliability.

As Secretary Kissinger has stated repeatedly in recent days, we have a moral obligation to persevere, to provide the South Vietnamese with the wherewithal to defend themselves now that they have assumed direct responsibility for their own defense. Our huge investment of human and material resources, and our encouragement through two decades of the South Vietnamese Government and people in their effort to maintain their independence -- which we believe redounds to our interests as well as their own -- demand that we do not abandon our friends now.

Cuts already made in our military assistance, combined with the rapid inflation which has eroded the value of that assistance, have brought the South Vietnamese armed forces to a level of austerity which, if reduced further, might affect their ability to defend their country against continuing Communist military pressure. Further cuts would weaken them to the point that Hanoi might be tempted to launch another 1972-type offensive.

On the other hand, with adequate external support South Vietnam has become stronger militarily and politically than ever before, and it has good long-range prospects for economic self-sufficiency. Consequently, provided we continue for the next few years to provide the military assistance necessary for self-defense and the economic assistance needed to begin serious reconstruction and development, there are good prospects that:

-- North Vietnam will be deterred from launching all-out offensives.

-- Further reductions in the level of violence can be achieved.

-- South Vietnam can move steadily toward self-sufficiency, thus permitting a declining U.S. role.

-- Over the long run, evolution toward peaceful accommodation will be possible.

Some maintain that eliminating or sharply cutting our aid to South Vietnam will bring peace by forcing the South Vietnamese to negotiate a settlement. This may be true if the kind of peace desired is that of abject surrender to Communist aggression, or the peace which would follow a bloody Communist military victory. But this is not

the kind of peace for which we have invested so much all these years, not the kind of peace which would be in our interest or in the interest of the South Vietnamese people. In fact, it has not been the South Vietnamese Government which has been blocking implementation of the Paris Agreement and further progress toward peace, but rather the North Vietnamese. Consequently, short of forcing their surrender or military defeat, there is no way we can pressure the South Vietnamese alone to make a real peace. The best hope for a genuine negotiated settlement and eventual reconcilitation in Vietnam is to maintain the balance of forces which has permitted the progress made thus far.