

XIII. CONCLUSION

The Foreign Operations and Government Information Subcommittee began its investigation of the U.S. aid program in Vietnam in January of this year. Almost without exception, the officials contacted by the subcommittee at that time offered the same explanation for the lack of adequate inspection and review of the program in Vietnam during the past few years; namely, that the war prevented a normal program of inspection and review and, because of this, these activities were curtailed drastically. The subcommittee challenged this assumption vigorously and during the past 9 months there has been, as noted earlier, a significant increase in the activities of those offices responsible for reviewing the various phases of the U.S. economic and military assistance program in Vietnam.

The Agency for International Development has also taken significant steps to improve the quality and quantity of the information available to it and to the AID mission in Saigon—information that is an essential management tool for the proper conduct and review of the U.S. assistance program in Vietnam. The subcommittee was deeply concerned over apparent gaps in the knowledge of responsible officials, both in Washington and in Saigon, concerning crucial phases of the U.S. program. It was informed on numerous occasions that this vacuum was seriously hampering the administration of certain phases of the program, most notably commodity imports. While this apparent lack of knowledge was in some cases undoubtedly due to the fact that the persons being questioned were relatively new to their jobs, the subcommittee established that it was also due in other cases to the simple unavailability of the desired information because of inadequate recordkeeping and procedure.

The former deputy director of the AID mission stated some months ago:

I feel that the program is being carried out too enthusiastically, and with not enough practicality, with not enough discipline, with not enough accountability, and with less than what I consider to be adequate management * * * we wound up with a conglomeration of variegated programs covering every particular field, and it amounted to just an accumulation of the most creative thinking that people could contribute to the program, and it was not a disciplined program, coordinated and welded together.

The committee feels this is an admirably concise summary of the major defects that have hampered the efficient operation and management of the U.S. economic assistance program. But at the same time it wishes to commend AID for the many constructive steps it has taken in recent months to meet these problems.

We wish to reemphasize, however, the absolute need for a comprehensive and continuing evaluation of priorities and basic objectives in the U.S. economic assistance program for Vietnam. The subcommittee feels there has been, in the past, undue emphasis on the spending of dollars as a measure of achievement and that there is a far greater need for determining what is possible in objectives rather than merely committing dollars. The American taxpayer has a right to expect that the degree of economic progress realized in Vietnam is commensurate with the vast expansion of the U.S. program of economic assistance. U.S. officials must not hesitate to insist, when necessary, upon the kind of cooperation in the economic field which the GVN has already promised on numerous occasions, most notably at the Honolulu Conference in February of this year.

The committee has attempted throughout its investigation to be constructive in its comments and recommendations. As stated at the outset, we will follow with great interest every promised change in the program and any new innovations that may be undertaken. The committee commends the officials with whom it has dealt for the most open and complete cooperation. We hope this relationship can be maintained and, by working together, help to win the war and peace in Vietnam.

APPENDIX

EXHIBIT 1.—LETTER FROM ASSISTANT SECRETARY OF DEFENSE
THOMAS D. MORRIS

AUGUST 17, 1966.

HON. JOHN E. MOSS,
Chairman, Subcommittee on Foreign Operations and Government Information, Committee on Government Operations, House of Representatives, Washington, D.C.

DEAR MR. MOSS: AS I stated during hearings on August 1 and 5, 1966, the Department of Defense is mindful of and grateful for the many constructive contributions made by your subcommittee in our joint effort to eliminate any adverse economic impact upon the Vietnamese people and the Government of that gallant nation, which might otherwise result from the presence of our forces in that country.

It is my earnest hope that the comprehensive exchange of information which took place in the course of the hearings will facilitate the continued close association between us which has proven so effective in assuring the orderly conduct of our affairs in the Republic of Vietnam. Accordingly, I want to be certain that you are fully apprised of specific actions undertaken by the Department which are of interest to the subcommittee. Newspaper articles published in the past few days have touched upon one aspect of our activities which did not receive detailed coverage in my formal statements of August 1 and 5, or in my oral testimony which followed. This was undoubtedly due to the fact that the issues concerned, while related to the subjects which your letter of July 11, 1966, asked that I cover, could not be taken up and discussed individually owing to the practical limitations on time available to the subcommittee for formal hearings.

Mr. Augliere and Mr. Cornish of the subcommittee staff, and senior members of our staff, have informally discussed these recent press releases. They relate to internal economic conditions in the Republic of Vietnam, and the steps thus far taken by the Department to lessen the inflationary impact of our presence upon the economy of that country. The measures we have taken which are of primary interest to the subcommittee, are designed to limit both the official and personal expenditure of Vietnamese piasters by the Department and its personnel in-country. Our prime objective is to avoid a massively increased internal demand for the available supply of goods and services produced within the Republic. As you are acutely aware, burgeoning demand generated by a rapid influx of U.S. personnel and facilities must not be allowed to so outstrip Vietnamese resources not offset by imports as to result in such price inflation and general disruption of the local way of life that our combat successes are undermined through impaired Vietnamese Government operations and popular discontent.

The goal of the DOD is to hold within acceptable limits the total piaster-expenditures that it funds, determines, and advises, while concurrently avoiding any reduction of military effectiveness through careful management of such piaster spending by joint commanders and their components. A variety of measures specifically tailored to reduce DOD piaster spending in the Republic of Vietnam have already been initiated (see outline at tab A), and others are in process of formulation. A fiscal control scheme monitored and enforced by the Joint Chiefs of Staff has been established, and is supported by a system of regular reports of actual and projected DOD-generated piaster spending (see outline at tab B).

I trust you will find these materials of interest and value in conducting the important work in which the subcommittee is now engaged. Let me again reiterate that your active inquiry into these areas, including your visit earlier this year to the Republic of Vietnam, and your joint efforts with the Defense staff, have contributed substantially to the constructive improvements which have been made and are continuing.

Sincerely,

THOMAS D. MORRIS.

TAB A

REDUCTION OF DOD PIASTER SPENDING IN VIETNAM

This summary deals only with measures initiated by the Department of Defense to hold within acceptable limits the total piaster expenditures in Vietnam which it funds, determines, and advises. The summary does not purport to cover other measures pertaining to certain import, fiscal, and monetary reforms which might conceivably be implemented by the government of the Republic of Vietnam. Neither does it purport to address larger questions relating to the degree and overall scope of controls which might properly be imposed upon the Vietnamese economy. Rather, it is confined to a listing of those actions which have been initiated or are being implemented by the Department in its own area of primary interest, within the framework of the overall economic program developed by the U.S. Government.

Percentage factors shown in parenthesis after each captioned item in the following summary represent the proportion of total projected savings the line item concerned is expected to yield in fiscal year 1967. (Note: total for item I is the sum of subitems (a) through (e).)

I. Reduction of personal expenditures by individuals (53 percent)

(a) *Increased post exchange sales (18 percent).*—Diversion to Armed Forces post exchange channels, of U.S. personnel individual expenditures on the civil economy for goods and services. To attain this objective, priority action is being taken to enlarge the range of products and services available through the post exchange system (without jeopardizing black-market control measures), improve and expand exchange physical facilities, expedite establishment of additional upcountry facilities, and other comparable measures.

(b) *Extend and liberalize out-of-country rest and recuperation program (13 percent).*—In fiscal year 1967, we are projecting a fourfold

increase in this program to provide a total of at least 250,000 individual R. & R. trips out of country. Aside from its primary importance as a morale factor, the program is expected to divert significant personal spending for recreation and relaxation purposes which would otherwise flow into the Vietnamese economy.

(c) *Increase personal savings incentives (10 percent).*—Diversion to personal savings of funds now expended on the civil economy for goods and services. The key legislative element essential to provision of an effective savings inducement for military personnel has been passed by the Congress and signed by the President (Public Law 89-538). That statute replaces the old soldiers deposits program with a new Uniformed Services Deposits System administered by the Secretary of Defense. Deposits under the new program will bear interest at the rate of 10 percent per annum as prescribed in Executive Order 11298, signed August 14, 1966 (individual interest-bearing deposits are limited to a maximum of \$10,000, and the privilege accrues only to members serving outside the United States, its territories, possessions, and Puerto Rico).

(d) *End private housing (4 percent).*—In May 1966, approximately 8,000 U.S. military and Federal civilian employees stationed in RVN in or near the larger cities were still required to obtain their own private housing on the economy due to lack of a sufficient number of U.S. Government owned or controlled billets. Expeditious relocation action is being taken, and will reduce or eliminate piaster rental expenditures on the civil economy by individual members.

(e) *Troop deployment pattern "automatic" effects (8 percent).*—A greater proportion of U.S. military personnel are being deployed to up-country locations than was the case heretofore. Individual piaster-spending patterns have displayed a direct relationship to the member's proximity to the marketplace. Personal piaster expenditures tend to diminish in inverse proportion to increased distance between the member's duty station and the larger urban markets with their ready supplies of goods and services.

II. Reduction of piaster expenditures funded by DOD from C. & M. resources (28 percent)

Measures designed to reduce C. & M. fund piaster expenditures include limitations on hiring of local nationals by military organizations; expeditious relocation to U.S. cantonments of DOD activities now housed in leased facilities on the economy; imposition upon DOD purchasing offices located in Vietnam, of procurement restrictions comparable to those imposed on other DOD procurement offices abroad for balance-of-payments control purposes; and related measures.

III. Reduction in DOD-funded piaster spending for construction (19 percent)

In-country procurement of construction materials has been progressively reduced, with the bulk of current procurement confined to rock and sand. Related measures to reduce local piaster spending are being implemented to include no new hires of local nationals, except for critical replacements; elimination of part-time employees; austere re-

view of facilities requirements looking toward elimination or consolidation wherever possible; consolidation of transport support, and shipment through Army facilities wherever possible; and related measures.

TAB B

JCS-MONITORED SYSTEM OF REPORTING DOD PIASTER SPENDING
IN VIETNAM

By direction of the Secretary of Defense, the Joint Chiefs of Staff have recently established a system of regular reporting by COMUSMACV and component commands, through CINCPAC, to show actual DOD-generated piaster expenditures, as well as the piaster spending that is expected to result from obligations issued during given periods. The system is briefly outlined below. In addition, the JCS may establish supplementary reports, projections, and accounts which will further system objectives. It is emphasized that overall system objectives encompass all piaster spending that the DOD funds, determines, or advises, including piaster expenditures of—

- (a) The military departments;
- (b) All Defense agencies;
- (c) COMUSMACV;
- (d) Contractors of (a), (b), and (c) above;
- (e) Public law 480 and counterpart piaster funds spent in support of U.S. forces and that portion of the GVN military budget which is joint funded, the release of which any component of the DOD determines or advises (e.g., AIK);
- (f) Purchases of piasters with MPC by personnel, civilian or military, whose pay is funded by the DOD or its contractors; and
- (g) Piaster spending of third-country military forces.

So that the Secretary may be informed of the possible impact of rising wages and prices upon the piaster cost of the activities and factors listed above, the JCS has been directed to undertake establishment of an activities cost index, in collaboration with the Assistant Secretary of Defense (systems analysis).

The entire system has initially been predicated on a series of recurring reports concerning piaster payments and projections of piaster authorizations, including the following:

- (a) *Piaster purchases and balances*: Statement of beginning piaster balances, plus purchases of piasters from the USDO and commercial sources, less ending piaster balances, will reflect amounts of payments made during the period.
- (b) *Authorizations issued* that generate piaster payments directly by DOD in South Vietnam.
- (c) *Planned authorizations* that will generate piaster payments directly by the DOD in South Vietnam.
- (d) *Authorizations issued* by RMK-BRJ (the principal construction contractor) and his subcontractors.
- (e) *Planned authorizations* by RMK-BRJ and subcontractors.
- (f) *Authorizations issued* by DOD contractors other than RMK-BRJ and subcontractors.

(g) *Planned authorizations* by DOD contractors other than RMK-BRJ and subcontractors.

The periodic reporting scheme has been so devised as to allow comprehensive summarization and analysis on a quarterly basis, in addition to an effective monitoring capability at shorter intervals.

Much information regarding past piaster expenditures has already been gathered because of the continuing interest of the DOD in expenditures entering the international balance of payments. The more detailed reporting scheme pertaining to Vietnam will be further refined and formalized as time passes, in the interest of developing a management system which will provide maximum flexibility to OSD, JCS, and field activities in the implementation of the system and in the establishment of effective monitoring and control procedures.

(NOTE.—The initial results of the recently established JCS-monitored reporting scheme, discussed above, will not be available until approximately October 1, 1966.)

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE INSPECTOR GENERAL,
Washington, D.C., August 29, 1966.

Hon. JOHN E. MOSS,
Chairman, Foreign Operations and Government Information Subcommittee, Committee on Government Operations, Rayburn House Office Building, Washington, D.C.

DEAR MR. MOSS: This is in reply to your letter of August 17, in which you express concern over the lack of audit and inspection activities in Vietnam and comment generally on the importance of these activities to Federal programs. With respect to this Department's programs, you have requested that the Office of the Inspector General initiate actions with particular attention to the following:

1. A comprehensive audit of programs under which agricultural commodities are shipped to Vietnam with first priority given to compliance and surveillance aspects.

2. Review of problems relating to pilferage and diversion of such commodities to the Vietcong and black market.

We are pleased to inform you that we have initiated a preliminary survey to obtain and correlate, on a current basis, all pertinent information relating to the problem areas involved. Upon completion of the survey we will then proceed with an appropriate review of the handling and control of agricultural commodities shipped to Vietnam in line with the subcommittee's request.

We share your concern and appreciate very much having the benefit of your views on this very important matter. We assure you of our continued attention toward accomplishing the objectives set forth in your letter of August 17.

Sincerely yours,

J. WILLIAM HOWELL,
Acting Inspector General.

U.S. INFORMATION AGENCY,
Washington, August 15, 1966.

Hon. JOHN E. MOSS,
Chairman, Foreign Operations and Government Information Subcommittee of the Committee on Government Operations, House of Representatives.

DEAR MR. CHAIRMAN: I have your letter of August 11, 1966, suggesting an audit of the financial and administrative operations of JUSPAO in Saigon and a review of the post's activities by the Inspector General.

I want you to know that I welcome these suggestions. Prior to the receipt of your letter, I had discussed with the Inspector General plans for his visit to Saigon before the end of the year. In addition, our Auditing Division has been instructed to undertake a financial and administrative review prior to the end of this year.

I also would like you to know that during the past year, we have carefully scrutinized and reviewed the operations of USIS Saigon in the following manner:

(1) I visited Saigon for several days in February 1966, and conferred with the chief staff members.

(2) On that trip, I was accompanied by Mr. John Chancellor, Assistant Director of Broadcasting Service, who reviewed in detail the functions of our radio staff.

(3) Two representatives from the Office of Administration have been to Saigon and have given me a personal report on the administrative activities of that post.

(4) Mr. Lloyd Wright, Assistant Director of Press and Publications Service, has just concluded a visit for the purpose of checking on the printing and publications efforts.

(5) Mr. Paul McNichol, Assistant Director of Security, has recently returned after an inspection trip, during which he reviewed all security precautions.

(6) Mr. Daniel Oleksiw, Assistant Director of the Far East, recently completed a review of current operations at the post.

In addition, I am asking Mr. George Stevens, Assistant Director of Motion Picture and Television Service, to visit Saigon within the next 60 days to review the film program being conducted. Before the end of the year, Mr. Ben Posner, Assistant Director of Administration, will also be sent to Saigon to make plans for the financial audit and review with the executive officer the administration of the post.

In addition to the above personnel of the Agency, I have enlisted the assistance of outside experts. In September 1965 I requested Mr. Frank Stanton, president of Columbia Broadcasting System and

Chairman of the U.S. Advisory Commission on Information; Mr. Palmer Hoyt, editor of the Denver Post; and Mr. Frank Starzel, formerly head of the Associated Press (now retired), to visit Vietnam and report to me on the manner in which we were now carrying out our responsibility for disseminating news and carrying on psychological warfare operations. They were accompanied by Mr. Robert Akers, Deputy Director of the Agency, and Mr. Hewson Ryan, Associate Director for Policy.

From the foregoing, you can see that I am mindful of the need to review periodically the work of USIS Saigon and that I intend to continue this type of inspection.

When the audit team is dispatched and the Inspector General completes his plans for the inspection, I will advise you further.

Sincerely,

LEONARD H. MARKS,
Director.

EXHIBIT 4.—LETTER FROM J. H. EDWARDS, DEPUTY DIRECTOR, U.S.
AID MISSION/SAIGON

NOVEMBER 9, 1965.

Mr. RUTHERFORD M. POATS,
Assistant Administrator, Bureau for Far East, Agency for International Development, Washington, D.C.

DEAR RUD: At least once a week I have written to you a long diatribe on the problems created by the hasty and emotional approach to assistance to Vietnam. Fortunately so far I have recovered enough self-control to destroy these prior to mailing. Suffice it to say that I don't like, nor approve, what we are doing here. It is at the same time both unconscious and unconscionable. Let me only make these comments without the lyrics:

1. The 1966 program represents the unfettered dreams of each division chief without later meaningful and tailored review.
 2. This program was dreamed up under the illusion that all Government agencies in Washington are committed to massive expenditures without any restraint or accountability.
 3. There is no mechanism for control, audit, or analysis of costs, input, or utilization.
 4. Attempts to instill discipline into the U.S. efforts are not tolerated or yet entertained.
 5. There is widespread rumor and hint of diversion and corruption with no recognition of its possible presence.
 6. Everyone is agreed that the effort is excessive and thus prone to widescale mishandling, but everyone reacts to even hints of need by all-out requests for more resources.
 7. Specific programs are vastly overfunded; i.e., PSD, PHD, CIP, Refugee Coordination, Prov Ops but the excuse is AID/W wants it this way.
 8. Inflation continues and the economy weakens, and the complaints mount publicly while our answer is to import more commodities to sop up extra money.
 9. There is no restraint on the money supply.
 10. There is no restraint on the tremendous budget deficit.
 11. There is no effective collection of duties, taxes, or other GVN revenues.
 12. The exchange rate allowing imports at 60 to 73 piasters to \$1 encourages both imports and diversion of supplies.
- Rud, I could go on for days with the absence of reasonable economic planning and implementation in this activity.

What is needed—

1. A hard-nosed AID/W approach to determine that we assist instead of abetting.
2. Procedures and systems to insure our commodities arrive here and are used properly.

3. Sound fiscal advice to the GVN and not pap.
4. A realistic exchange rate and control of the U.S. military to prevent U.S. smuggling and financial finagling.
5. A reduction of both personnel and program content to realistic and attainable levels. Recent State, DOD, AID message hints and nudges at this but no forceful measure.
6. A carefully devised and executed plan to combat profiteering and reexport of supplies.
7. Insistence on and guidance to prevent internal budget deficits.
8. Some control over the GVN use of foreign exchange.
9. Strong measures to add quality to our present activities and reduce quantity of men, money, and materials.
10. Reexamine some present misguided programs to get them on the track.

* * * I think more effective personnel, AID/W support, and mature programming is an urgent necessity. This is written without clearance and without knowledge of other mission management. I believe it represents, however, the views of a substantial number of our people. I call this to your attention for whatever reaction you think is warranted. My intent is to help the situation and not further complicate issues. This situation is too vital to U.S. affairs to afford anything less than our best effort. Regret my inability to be more useful to this type of U.S. assistance program.

Sincerely,

J. H. EDWARDS,
Deputy Director, U.S. AID Mission/Saigon.

**EXHIBIT 5.—VACANCY ANNOUNCEMENT FOR AGRICULTURE CREDIT/
Co-op ADVISER**

Department of State, Agency for International Development, in
cooperation with the U.S. Department of Agriculture

For service with the Agriculture Division, U.S. Operations Mission, Vietnam. Base salary will depend upon the qualifications of the individual, the individual's immediately previous professional earnings, and related matters. However, the expected range is approximately \$7,500 to \$15,000 per year plus overseas differential, housing allowance and other benefits.

There is an immediate need for advisers who are qualified for the position which is described below.

GENERAL STATEMENT

Agriculture is extremely important in the total development effort in Vietnam. It plays a key role in the Vietnamese people's struggle against Communist insurgency.

The outcome of the struggle in Vietnam depends largely upon the effectiveness with which the Vietnamese, with the cooperation of the United States and other countries, can cope with the problem of building cohesion within the rural area and meeting the basic needs of the people.

DUTIES

Functions are to be performed under the general supervision and guidance of the senior agriculture staff of the U.S. operations mission. These functions include the following:

The adviser will be responsible for the development and guidance of credit and cooperatives activities on a regional basis. The adviser must be mature with a sound background of subject education and experience. The adviser will be responsible for motivating Vietnamese provincial and regional credit and cooperative agencies and stimulating the organization and successful management of new cooperatives and farmers associations. He will be responsible for assisting in country program planning and guidance.

The regional credit/co-op adviser will counsel with and adjust the GVN regional and provincial supervisors and chiefs of credit (NACO), and the cooperatives/farmers associations, and the presidents/managers of cooperatives/farmers associations, and the president/managers of cooperatives/farmers association in his region, as follows:

1. In planning, organizing, and conducting training programs in cooperative management and auxiliary practices, including the use of credit, and developing an effective NACO credit-servicing program.

2. In planning and stimulating cooperative marketing both locally and to urban centers.

3. In planning and stimulating developments in supportive cooperative credit activities as: warehousing, transportation, processing and allied small industries; and a working public relationship with competitive individual private enterprises.

4. In the selection, training, work, and recognition of local people to fill the operational needs in cooperatives and credit functions.

5. In carrying out the programs and policies of the GVN national offices, the USAID and the cooperative agencies.

The regional credit/co-op adviser will serve as the principal adviser/interpreter in his field to the USAID regional director.

QUALIFICATIONS

1. A BS in agricultural economics, including some cooperative and credit, is highly desirable, and a minimum of 5 years cooperative management practice or farm credit administration.

2. Desirable to have had 2 or more years similar type overseas experience.

3. Should be healthy, vigorous, emotionally stable, and willing to travel intensively.

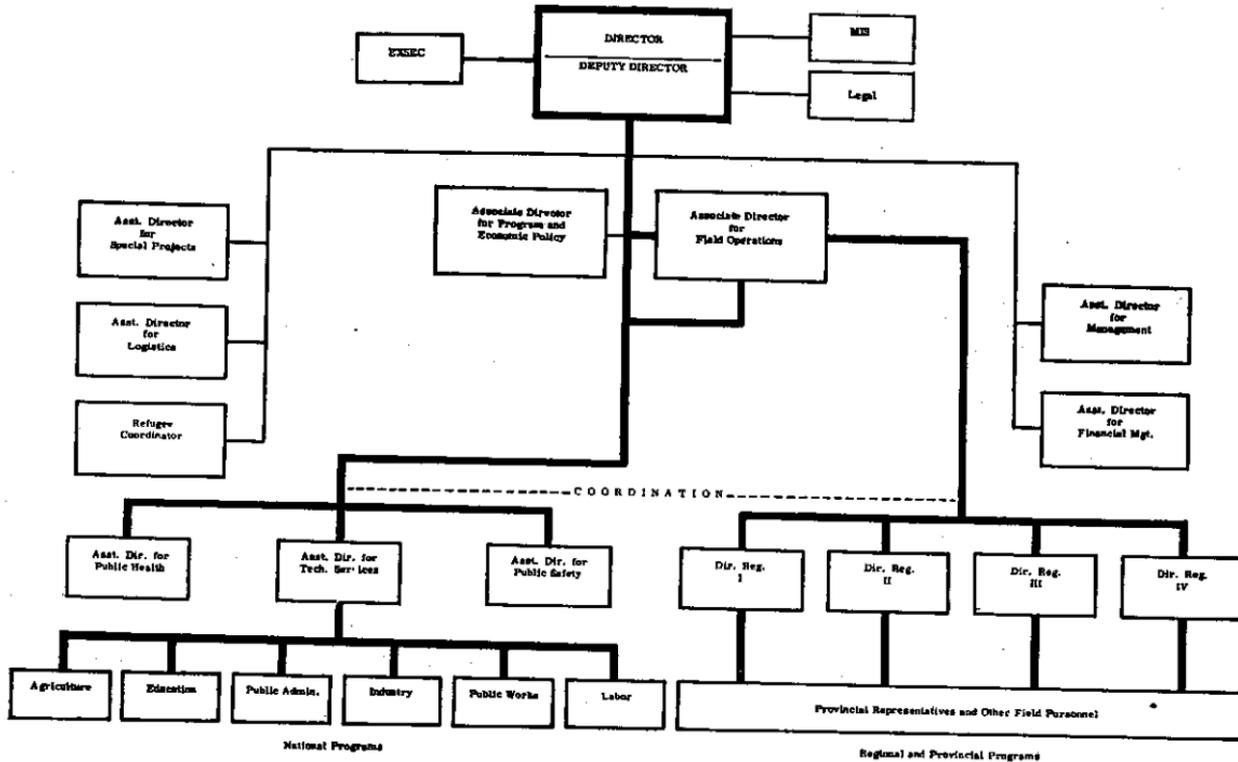
HOW TO APPLY

Correspondence about the above positions should be addressed to the Far East Bureau, Recruitment Branch, room 321, SA-1, Agency for International Development, Washington, D.C. 20523, and be accompanied by a detailed employment résumé or a completed form 57 (application for Federal employment).

Collect calls about these positions will be accepted by Mr. Danny Whitfield, or Mr. Paul Belanga on DUDley 3-7367, Area Code 202 (Washington, D.C.).

EXHIBIT 6

USAID VIETNAM



March 8, 1966

EXHIBIT 7.—LETTER FROM WILLIAM S. GAUD, DEPUTY ADMINISTRATOR,
AGENCY FOR INTERNATIONAL DEVELOPMENT

DEPARTMENT OF STATE,
AGENCY FOR INTERNATIONAL DEVELOPMENT,
Washington, D.C., July 19, 1966.

HON. JOHN E. MOSS,
Chairman, Foreign Operations and Government Information Sub-
committee, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letter of July 8, 1966, in which you refer to a CBS telecast reporting the capture of a Vietcong base. The CBS news report refers to a Vietcong base in Binh Dong Province captured as a result of Operation El Paso II. This military operation was initiated on June 2. Captured material has been seized throughout the whole campaign but the bulk was captured between June 23 and 25.

The military member of the Saigon Economic Warfare Committee visited the area to examine material seized on June 24. Further data were obtained from records of the operations unit and from the Chief of the Current Intelligence Indications Branch of Operation El Paso II. Portions of the Vietcong base sites could not be visited because of combat engagements and the information which follows is limited to this extent.

Some of the captured material was of Vietnamese origin. Information on the presumably imported items is not yet complete, and U.S. military officials in Saigon have been requested to provide, if possible, further identification on the seized flour, sardines, rice, oil, kerosene cans, and sheet metal.

The captured items are as follows:

Rice: 1,522.5 tons.
Sheet metal: 5,400 sheets.
Dried fish: 16.5 tons.
Flour: 1,350 pounds.
Tea: 300 pounds.
Kerosene: 1,000 gallons.
Sardines: 1,000 cans.
Oil: 550 gallons.
Aluminum pans: 1,000.
7-horsepower motors: 2.
Assault rifle: 1.

We are providing the following information concerning the apparent source of some of these items.

The assault rifle is of North Korean origin.

Some rice was found in bags with India markings and some in bags with Saigon markings. The India marked bags were dated 1964-65. Since rice bags are reused repeatedly in Vietnam, those with India markings could either represent domestically produced rice in reused bags or illegally imported rice stocked by the Vietcong in 1964-65.

Rice has never been imported from India through legal commercial channels. The rice in bags identified with Saigon markings may be new or old, and may be of local origin. The enemy could have purchased some or all of this rice from the numerous retail outlets in the country, or could have smuggled it from Cambodia.

As for the metal sheets, some were still in paper wrappings bearing U.S. labels when captured. There is no way to know whether or not they were financed by AID, since the U.S. military forces have shipped and are shipping sheet steel to Vietnam. If the steel was AID financed, it would move through one or more of the 140 authorized iron and steel importers, most of whom do business in Saigon, to retailers for resale on the open market. There are an estimated 1,000 to 2,000 steel retailers in Vietnam, 200 of whom are in Saigon.

Kerosene is imported in bulk by three oil companies, Caltex, Esso, and Shell; presumably all such imports are AID financed. These imports are distributed through commercial channels to nearly every province, district, village, and hamlet in Vietnam. Containers are made locally. With respect to most commodities in Vietcong caches, it is often difficult to ascertain whether they were acquired by hijacking, military action, purchase, or collusive diversion.

Several measures are being taken in Vietnam to reduce enemy access to imported as well as domestic resources; many of these are being strengthened and new measures are being instituted. Resources control check points are being tightened, as evidenced by the large and growing volume of commodity seizures by the national police. A new measure is the recently instituted waterways resources control whose operations will be greatly expanded. In addition, the U.S. AID mission is continuously checking importers and retailers in attempting to identify channels which might be used by the Vietcong. The recently organized customs advisory group examines cargoes and inspects arrival documents to deter pilferage or diversion of supplies en route to or in the ports of Vietnam. Finally, studies are being made on strategic commodity sectors with a view toward improving controls.

I am sure you recognize the limitations of resource control measures in Vietnam where there are no battle lines and large parts of the country subject to very limited or rapidly shifting government control. We are, nevertheless, continuing to try tightening the net in every practical way.

Sincerely yours,

WILLIAM S. GAUD,
Deputy Administrator.

EXHIBIT 8

Five of the ninety photographs taken by the committee in "PX Alley" in Saigon on April 2, 1966. The first photograph shows the entire length of the street with individual stalls lining the sidewalks on both sides. The other photographs show different types of U.S. goods on sale at various stands in the street. Clearly visible are U.S. Army K rations, radios, soap, hair spray, razor blades, styrofoam ice coolers, cigarettes, and a variety of other PX goods. In the last picture, the PX dollar price is clearly visible on a rayon blanket.











EXHIBIT 9

Photographs showing truck tires and spools of telephone wire available at the U.S. military surplus property disposal yard in Saigon. The photographs were taken early in April this year.





EXHIBIT 10.—A COLUMBIA BROADCASTING SYSTEM TELEVISION INTERVIEW IN VIETNAM, SHOWN JULY 22, 1966, ON THE WALTER CRONKITE SHOW, AND SUBSEQUENT COMMENTS IN A LETTER FROM RUTHERFORD M. POATS, ASSISTANT AID ADMINISTRATOR, FAR EAST

REPORTER. This is Qui Nhon, a port in central Vietnam through which every month \$5 million in American civilian aid comes to South Vietnam. Qui Nhon was in Bien D'ien Province. Mr. Roger Darling, who has spent 4 years in South Vietnam, 2 as a U.S. Vice Consul in Saigon—the last 14 months in this area—is American province representative for Bien Dien. Mr. Darling, do you think that the aid that's coming through here now is reaching the people it's supposed to and is being properly administered?

DARLING. Not in all cases. There are a number of items lost here in the port area, to pilferage and other objectionable practices, but primarily it's the sad truth—a lot of goods are lost by corrupt officials siphoning out these items. Now let's be very frank. A number of the officials who are working in these provinces are not entirely honest. They're corrupt individuals. Our adviser comes in and starts working with these people and in a month or two it begins to emerge. He recognizes what's happening—they're padding the payroll, perhaps they're stealing our supplies and they expect him to more or less cover this up. He has an opportunity at this point to either report honestly down the line what's happening and perhaps remedy the matter, or to kind of hedge in his report and say the man's not too bad—when in fact he's really a crook.

REPORTER. About how much would you say was lost?

DARLING. I think a fair and accurate estimate would be between 10 and 20 percent of the goods that arrive in here will never get to the project for which they are intended.

REPORTER. Well, what would you recommend to improve the situation?

DARLING. Well, first of all I think AID is trying to do too much. They should try to focus on four or five priority activities and abandon the rest. Among these I would suggest agriculture, education, health, and the training of provincial officials. Now the second item I would do would be to reduce the U.S. AID staff in Saigon. They're too big and they generate too much paperwork which overwhelms us here in the provinces, and every office down there is requiring reports from this team up here. The other recommendations I would make would be to push more on the Vietnamese to do their part in this program. I would continually do less and less for them, forcing them to do the things that they have to do to develop their own institutions.

REPORTER. Tell me, does any of this that you're telling me now get into your reports to Saigon?

DARLING. It does in mine, but not everybody's. I think there are a good many advisers in this country who are not really advisers, and I believe this comes out of fear. First of all the American adviser has a counterpart, a Vietnamese on the same level in his field of work. He wants to get along with this man. He is to advise him and the general feeling in the American community here is that if he starts arguing with this man or pointing out his weaknesses or otherwise giving him a hard time, he's not getting along and his usefulness is finished. There is of course the fear of getting a good efficiency report, and the American fairplay comes into the matter. But the important thing is that a lot of hedging goes on. And I personally feel that the people in Saigon and up the line aren't getting as clear a picture as they might of what's going on out here. I think it's time we called a spade a spade, because to my way of thinking a little time spent with your counterpart will encourage helpful discussion and generate some good ideas and perhaps urge him off dead center to do something, and that's what we're here for.

DEPARTMENT OF STATE,
AGENCY FOR INTERNATIONAL DEVELOPMENT,
Washington, D.C., August 29, 1966.

HON. JOHN E. MOSS,
Chairman, Foreign Operations and Government Information Subcommittee, House of Representatives, Washington, D.C.

DEAR CHAIRMAN MOSS: As you requested, I have looked into issues raised by AID Provincial Representative Roger Darling in a CBS-TV interview broadcast on July 22. He criticized the performance and honesty of some Vietnamese local officials, complained of excessive numbers of AID projects and reporting requirements and advocated pressure on the Vietnamese to assume more responsibility for their own salvation. He said some field representatives do not speak up forcefully enough on these issues.

I know Roger Darling and value his suggestions. I believe his views are quite close to our present doctrine. In the CBS-TV statements, he was expressing in too broad generalizations the frustrations common to many working out in the field—too many bright ideas from headquarters, too many demands for reports, too much expected of a few American advisers in a province managed by young (often inexperienced, sometimes indifferent, or dishonest) Vietnamese officers. We also receive many reports from other provincial representatives praising the dynamic leadership of Vietnamese provincial and district chiefs, with whom they work, and in those cases the demand usually is for more aid, more support for additional projects.

Some provreps advocate AID's staffing much of the job we expect the Vietnamese local governments to accomplish. Darling seems to suggest the opposite. My view is that the important achievement is to get the Vietnamese Government to fulfill its citizens' expectations and involve the people in community and nationbuilding.

We are constantly fighting the temptation to yield to special enthusiasms and add more projects. We agree that we should stick to

the basic essentials of stimulating local initiative and responsibility and helping local government and cadre teams carry out simple projects, preferably of a self-help type, in health, education, and agriculture. However, our political and military interests require local action by Vietnamese and U.S. civilian representatives in such activities as the Chieu Hoi defector program, youth work, refugee relief and resettlement, land reform, administrative training, police and other nonmilitary security force employment, etc. If AID does not act in these fields, some other U.S. organization must.

Neither proliferation of activities nor the poor performance of local officials about which Darling complains has prevented substantial achievement in the basic fields. In the first half of this year, 865 self-help projects involving AID commodities have been completed in the villages and hamlets.

In the agriculture field, AID-provided fertilizer was used on close to 2 million acres of land and contributed to increasing farm income by an estimated 1.5 billion piasters in 1965 and 1966. Distribution of improved seeds is estimated to have sent crop yields up by 20 percent or more during this period. In fiscal year 1966, 78,000 acres were newly irrigated and 60,000 acres reclaimed as a result of AID programs. Over 300,000 acres have benefited from water and irrigation control since 1962. Also in fiscal year 1966, 35,000 Vietnamese received approximately \$5.8 million of credit from agricultural credit institutions to which we made substantial contributions. In the last 3 years hog production has increased from 1,694,000 to 3 million and the average market weight from 130 to 220 pounds.

In education, under the fiscal year 1966 program some 2,300 classrooms were completed. The total completed with our assistance is now over 8,000. Over 2 million elementary school textbooks were distributed in fiscal year 1966 bringing the total up to almost 6.8 million. Over 7,000 Vietnamese teachers have completed courses in AID-assisted teacher training schools since the beginning of the program.

Under the health program over 12 million inoculations had been given with AID-supplied vaccine by the end of 1965. Forty-five hundred new health subcenters were developed and stocked in rural areas in the past 3 years. Malaria incidence has been reduced from 7.2 percent in 1958 to 1.57 percent.

These are sample indications that the goods are getting through to the people, and much good work is being done by the Vietnamese.

We are not indifferent to corruption or diversion of AID goods. One of the main purposes of our field staff and of the U.S. military advisers at the district level who work as part of our civil effort is to assure that the U.S. aid commodities are used as intended, for the benefit of the people. Where misuse of our assistance is found, we report the matter to the proper Vietnamese authorities and ask for disciplinary action. In one case, we suspended all aid to a province until the problems were corrected. Within staff capabilities, we conduct end-use audits in the provinces. The mission now is planning a comprehensive audit survey which will include visits to all provinces and examination of procedures and controls in the field.

We could reduce misuse or inefficient use of AID commodities if we moved in enough Americans and managed the jobs ourselves. Clearly this would not be the way to build responsive and responsible Vietnamese local government or to win the commitment of the people to the work of their own government.

Apart from audit and inspection, our basic approach is to work with and nurture the best leadership available, demonstrate by example American standards of public service, and constantly press the Vietnamese higher authorities to enforce the law and assign good people to serve in district and provincial governments.

I hope these comments have responded to the questions which concerned you.

Sincerely yours,

RUTHERFORD M. POATS,
Assistant Administrator, Far East.

GLOSSARY

AAA—Army Audit Agency.
ADP—Automatic data processing.
AFAG—Air Force Auditor General.
AID—Agency for International Development.
AIK—Aid-in-kind.
AMA—American Medical Association.
C. & M.—Construction and maintenance.
CBS—Columbia Broadcasting System.
CID—Commercial Import Division.
CINCPAC—Commander in chief, Pacific.
CIP—Commercial (commodity) import program.
COMUSMACV—Commander, U.S. Military Assistance Command Vietnam.
DCAA—Defense Contract Audit Agency.
DOD—Department of Defense.
FSIC—Foreign Service Inspection Corps.
GAO—General Accounting Office.
GSA—General Services Administration.
GVN—Government of (South) Vietnam.
IG—Office of the Inspector General.
IGA—Inspector General for Foreign Assistance.
IMF—International Monetary Fund.
JCS—Joint Chiefs of Staff.
JUSPAO—Joint U.S. Public Affairs Office.
MAC/V—U.S. Military Assistance Command/Vietnam.
MIS—Management inspection staff.
MPC—Military payment certificate.
NACO—National Agricultural Credit Office.
OSB—Office of Small Business.
OSD—Office of Secretary of Defense.
PHD—Public Health Division.
PMO—Postal money order.
POL—Petroleum, oil, and lubricants.
PSD—Public Safety Division.
PX—Post exchange.
RMK-BRJ—Raymond, Morrison-Knudsen, Brown & Root, and J. A. Jones.
SVN—South Vietnam.
TNT—Trinitrotoluene.
USDO—U.S. disbursing officer.
USIA—U.S. Information Agency.
USIS—U.S. Information Service.

ADDITIONAL VIEWS OF HON. DONALD RUMSFELD AND HON. ROBERT DOLE

INTRODUCTION

The undersigned concur in the facts developed and support the recommendations set forth in the committee report. Because legislative aspects of U.S. involvement in southeast Asia fall within the jurisdictions of several committees of the House, the committee report properly is limited to the areas of jurisdiction of the House Committee on Government Operations. The following comments are a result of the fact that the findings and recommendations of the committee and, indeed, the success of the U.S. economic and military assistance programs in southeast Asia, must be considered in a broader context.

FINDINGS

The committee report points up glaring deficiencies which were found to exist in many aspects of the various U.S. nonmilitary activities in South Vietnam. They include:

A shocking absence of adequate inspection and review by AID in administering the commodity import program and other assistance activities.

AID's failure to conduct even the minimal number of audits necessary to ascertain the effectiveness of present levels of assistance.

The General Accounting Office, the various military accounting agencies, the Departments of State and Agriculture, the U.S. Information Agency, and the Post Exchange Services have either failed to conduct audits and reviews in Vietnam or have done so only on a limited and haphazard basis.

AID officials in Vietnam have held up the initiation and the completion of necessary audits on AID's operations in that country.

Some functions of the assistance programs are overstaffed, while others are seriously undermanned.

The high turnover and lack of training and experience of some personnel have resulted in serious deficiencies.

The United States has failed to establish the necessary leverage with respect to the joint United States-South Vietnamese effort especially since the dramatic change in the U.S. commitment since 1964.

AID and the other U.S. agencies have failed to staff programs in Vietnam with personnel having adequate language ability.

Port operations in Vietnam have been disorganized with the result that substantial numbers of ships have had to wait for long periods before unloading cargoes.

Disorganization in port operations has resulted in the diversion, theft, and spoilage of large amounts of cargo.

Too little emphasis has been placed on civilian medical assistance.

The result of these deficiencies in operations in Vietnam has been that the U.S. economic assistance programs have failed to appreciably assist the Vietnamese in developing a more stable and secure society.

The committee report states in its conclusions as follows:

The American taxpayer has a right to expect that the degree of economic progress realized in Vietnam is commensurate with the vast expansion of the U.S. program of economic assistance. U.S. officials must not hesitate to insist, when necessary, upon the kind of cooperation in the economic field which the GVN has already promised on numerous occasions, most notably at the Honolulu Conference in February of this year.

The findings, conclusions, and recommendations of the committee report, while valid and important—and which will undoubtedly result in savings to the American taxpayer—do not touch the broader problem.

THE PROBLEM

The United States has committed billions of dollars and hundreds of thousands of military and civilian personnel to Vietnam. Thousands of lives have been lost and additional heavy losses can be expected. Equally important, precious time has been lost. Unless we can advance the economic, political, and social development of Vietnam, any military success will be limited and of little lasting value.

Twelve years have elapsed since we began contributing economic assistance and manpower to South Vietnam. Yet, that nation continues to face political instability, lack a sense of nationhood, and to suffer social, religious, and regional factionalism and severe economic dislocations. Inflation continues to mount, medical care remains inadequate, land reform is virtually nonexistent, agricultural and education advances are minimal, and the development of an honest, capable, and responsible civil service has hardly begun. Communist military activities in Vietnam continue, land areas under dispute remain at a high and relatively constant level, acts of terrorism occur daily, even in supposedly secure areas.

The nature of the struggle in southeast Asia is relatively new. One seldom sees large armies massed along a well-defined front. The pressures being exerted by the Vietnamese Communists to undermine the South Vietnamese Government are more subtle, but no less effective. The well-disciplined and flexible tactics of the Vietnamese Communists, the highly developed infrastructure, the access to nearby sanctuaries, the absence of a language capability on the part of U.S. personnel, the shortage of Vietnamese military and civil leadership, and the tragic scars on the Vietnamese people after decades of war, all have made the task more difficult.

It is anticipated by the administration that with the dramatic military buildup, the United States can gain a measure of military success.

But it must be realized that such success will be only temporary, lacking considerably greater progress in the nonmilitary aspects of the problems in South Vietnam. Surely the gravest problem facing the United States and the Government of South Vietnam is the almost total lack of success on the nonmilitary side of the effort. All could be wasted unless the political instability, religious and regional differences, and the severe economic difficulties are remedied.

CONCLUSION

Recognizing the difficulties, the fact remains that lacking success in meeting the economic, social and political problems, the U.S. effort, with thousands dead and billions spent and precious time lost, could be completely wasted.

If there is a single lesson to be drawn thus far from our experience in South Vietnam, it is that the United States, and, indeed, the free world, have failed thus far to develop strategies, programs and techniques to meet the Communist pressures which exist in southeast Asia and elsewhere in the world, point to point, early.

We have failed to develop the capability to assist a nation requesting our aid in developing political, economic, and social stability. We have found that the today crude, World War II type responses to these new and more subtle pressures are inadequate, often ineffective, and frequently inapplicable. Without political and economic stability, without a sense of nationhood, without the forms of citizen action and responsibility, which we in this country take for granted and which have been the source of our progress, the South Vietnamese people will be unable to retain any measure of freedom which the United States might be able to help them achieve.

While the committee report points out specific shortcomings in the administration and audit of current programs, it fails to point out that a complete review of U.S. policies and programs with respect to the nonmilitary side of the effort must be undertaken if we are to reverse this trend.

It is essential, therefore, that the United States establish policies and priorities which will meet the political, social, and economic situation as it exists. It is also essential that the United States develop the necessary management tools and administrative skills to carry out such policies and programs effectively.

The committee investigation pointed up serious problems relating to the administration of programs of the United States in South Vietnam. The administration has demonstrated a willingness, although belatedly, to undertake necessary changes to implement many of the recommendations made in the report. But this is not enough. The administration has failed thus far to undertake a broader reevaluation of our policies and approaches. No matter how efficiently the present policies are administered, the real problem is the development, by the United States, preferably working in cooperation with other free nations rather than alone or almost alone as at present, of programs and techniques and approaches more suitable to meeting the pressures as they exist in Vietnam.

DONALD RUMSFELD.
ROBERT DOLE.

ADDITIONAL VIEWS OF HON. OGDEN R. REID

If the promise of social and economic change in the villages and hamlets of South Vietnam is to be realized, greater emphasis must be placed on reform by the Saigon government.

Meaningful land and education reform will come only if there is more of a basic commitment to change, beginning with the recognition by the Saigon establishment and the mandarins that the relative status quo must yield to the needs of the future.

Significant land reform is essential if the people of the rural areas—comprising about 80 percent of the population of South Vietnam—are to have a sense of participation in their future. Reportedly, up to 2 million acres—some expropriated by the French—have yet to be distributed. Unless there is a major land reform, many peasants will continue to lack faith in their future and confidence in government.

Secondly, greater efforts must be made by the South Vietnamese in education, at all levels, but especially at the high school and university level. Without a baccalaureate or double baccalaureate degree, many South Vietnamese, especially those in rural areas, are virtually denied the opportunity to serve in the government or in the officer ranks of the military service.

Thirdly, the United States must strive harder to assist the Government of South Vietnam in training a capable and responsible civil service. All too frequently, inefficiency and instances of corruption have been present. Representatives of the merchant and land owning families are entrenched in various strata of this bureaucracy. Under present circumstances, their position is so solidified that even after the cessation of military hostilities, they may be able to perpetuate their control. If this is permitted to happen and if inefficiency and corruption are not overcome at the province and district level as well as in Saigon, the Vietnamese population will have little opportunity to raise their standard of living.

Lastly, while the forward military strategy has helped to keep main force units off balance, greater emphasis should be placed on "secure and hold operations," perhaps not dissimilar to the tactics employed in the Greek war against Communist guerrillas. Rural pacification and reconstruction programs will be less than meaningful without security and less than viable without major reforms to back them up.

Rigorous reform in these and other areas by the South Vietnamese Government is important if the United States is to succeed in assisting the Vietnamese people to meet the revolution of rising expectations—which to many is almost a "lost revolution." It is questionable whether half measures will succeed—a much higher priority to genuine reform and commitment to action appears essential.

OGDEN REID.

**ADDITIONAL VIEWS OF HON. JOHN E. MOSS, CHAIRMAN,
FOREIGN OPERATIONS AND GOVERNMENT INFORMATION
SUBCOMMITTEE**

I subscribe and concur thoroughly with the comments expressed by Congressman Ogden Reid.

However, a careful review of the additional views of Congressmen Rumsfeld and Dole clearly indicates that all matters covered in those views are merely a restatement of findings in the report which was adopted with but one dissenting vote by the Committee on Government Operations. They add in no constructive way to the recommendations made by the committee. It is obvious also that no issue is taken with the diligence of the investigation.

The committee will continue to maintain the closest of surveillance over all programs within its jurisdiction to make certain there is full implementation of corrective measures. It is my hope that this effort can be a bipartisan one—although I must confess disquiet over the negative tenor of the additional views of my colleagues, Mr. Rumsfeld and Mr. Dole.

JOHN E. MOSS.