UNITED STATES AID TO INDOCHINA

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

JULY 1974

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FOREWORD

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,

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

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

THOMAS E. MORGAN, Chairman.

(III)
LETTER OF TRANSMITTAL

JULY 25, 1974.

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

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

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

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

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

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

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

JOHN J. BRADY, Staff Consultant.
JOHN H. SULLIVAN, Staff Consultant.
UNITED STATES AID TO INDOCHINA

INTRODUCTION

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

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

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

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indochina postwar reconstruction</td>
<td>884.3</td>
</tr>
<tr>
<td>Cambodia military assistance program</td>
<td>1390.0</td>
</tr>
<tr>
<td>Laos military assistance program</td>
<td>90.0</td>
</tr>
<tr>
<td>Total</td>
<td>1,423.3</td>
</tr>
</tbody>
</table>

*Figure contains supply operations costs.

With regard to continued U.S. aid to Vietnam, critics argue that President Thieu and the Government of Vietnam (1) have stifled political opposition, (2) have refused to deal with the Provisional Revolutionary Government in accordance with the cease-fire agreements, (3) have refused to permit elections with Communist participations, and (4) have failed to end hostilities. They contend that conditions can only be remedied by termination or sharp reduction in U.S. aid.
U.S. officials in Saigon disagree. It is their view that (1) President Thieu has the overwhelming support of the population and that he has been able to establish a strong political base throughout the country; (2) the political opposition in South Vietnam, which is present and active, has been unable to form any kind of a coalition which would offer an acceptable alternative; and (3) both sides are guilty of violating the terms of the cease-fire, particularly the North Vietnamese who have infiltrated over 100,000 troops and substantial amounts of equipment and supplies into South Vietnam since the cease-fire. Consequently, they believe that U.S. aid should be continued at present or increased levels.

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

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

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

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

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

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

Unemployment has increased and incomes have declined.

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

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

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

Success, however, depends upon external assistance. Since adequate assistance from other countries is not likely, the major share of the resources, economic and military, will have to be provided by the United States. The question is, How much and for how long?
2. Notions of “economic self-sufficiency” for South Vietnam and a virtual end to U.S. economic aid programs by 1977 appear unrealistic and premature, even if aid funds are significantly increased for the next 2 years.

Some U.S. authorities in Saigon, including the U.S. Ambassador, believe that South Vietnam is on the verge of an economic “takeoff” similar to those which have occurred in South Korea and Taiwan. In order to launch South Vietnam’s economy, they have strongly recommended a massive infusion of economic assistance from the United States, totaling about $850 million during each of the next 2 years. By fiscal 1977, they contend, Vietnam’s economy will be strong enough to permit the United States to phase out economic aid almost completely.

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

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

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

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

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

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

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

According to the data contained in the fiscal year 1975 Congressional Presentation Book, AID estimates that it may be possible to phase out grant-type economic assistance in about 6 years.

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

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

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

The funds are to be used as follows:

### VIENTNAM PROGRAM SUMMARY

<table>
<thead>
<tr>
<th></th>
<th>Fiscal year 1973 actual</th>
<th>Fiscal year 1974 estimated</th>
<th>1st fiscal year 1975 proposal</th>
<th>Final fiscal year 1975 proposal</th>
<th>Difference between 1st and final</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indochina postwar reconstruction</td>
<td>312.3</td>
<td>399.0</td>
<td>600</td>
<td>750.0</td>
<td>150.0</td>
</tr>
<tr>
<td>Humanitarian assistance</td>
<td>40.0</td>
<td>85.0</td>
<td>105</td>
<td>125.0</td>
<td>20.0</td>
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<tr>
<td>Reconstruction and development</td>
<td>29.7</td>
<td>15.0</td>
<td>100</td>
<td>227.7</td>
<td>127.7</td>
</tr>
<tr>
<td>Food and nutrition</td>
<td>2.0</td>
<td>15.0</td>
<td>200</td>
<td>185.0</td>
<td>-15.0</td>
</tr>
<tr>
<td>Industrial production</td>
<td>15.0</td>
<td>45.0</td>
<td>45</td>
<td>45.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Commercial import program</td>
<td>226.2</td>
<td>234.0</td>
<td>226</td>
<td>234.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Technical support</td>
<td>16.4</td>
<td>15.0</td>
<td>15</td>
<td>15.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Development loans</td>
<td>56.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population planning and health</td>
<td>-8.0</td>
<td></td>
<td></td>
<td>-8.0</td>
<td></td>
</tr>
</tbody>
</table>

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

According to the World Bank report, the Government of South Vietnam anticipates about $670 million external assistance in 1974. This is $80 million below the amount requested by the executive branch and includes assistance from other donors. It is therefore possible that the requested figure could be reduced by $100 million to $590 million—without serious repercussions to the economic stability of South Vietnam.
At the same time, such an aid amount would not entail some of the potential risks of substantially larger amounts; that is, it would not increase Vietnam’s dependency on outside aid and thus reverse the “weaning away” process; nor would there be a problem of the useful absorption of the funds in the Vietnamese economy.

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

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

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

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

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

A 2-year authorization would have several advantages:

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

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

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

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

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

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

France and Japan have instituted programs to provide investment insurance on a limited scale in South Vietnam. It is incongruous that
the United States, which is the largest contributor of foreign assistance to that country, does not encourage private investment. There are very little data available on the French program. The Japanese, however, have limited investment coverage to projects of $2 million in areas where security does not present a problem. This is a sound approach.

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

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

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

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

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

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

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

It is widely believed that the Vietcong (VC) infrastructure, which was almost completely destroyed during the 1968 Tet offensive, has not recovered. There are no local units worthy of the name, although the Vietcong are capable of small-scale guerrilla activity with support from the North Vietnamese Army. As a consequence the VC has embarked upon a program of terrorism and assassination—a tactic which has alienated most of the population including many of their former supporters.
According to U.S. sources 94 percent of the population of South Vietnam live in areas controlled by the Government. Five percent live in contested areas and less than 1 percent in areas where a viable PRG structure exists.

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

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

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

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

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

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

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

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

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

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

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

In a stated effort to substantiate or refute allegations of political prisoners, the U.S. Mission in Saigon has conducted what appears to be an objective and reasonably comprehensive survey of the prison population in South Vietnam. The survey concluded that the total prison and detention population in South Vietnam in July-August 1973 (time frame of the survey) was about 35,000. According to the
report, “this figure comprises prisoners of all types, not just political prisoners” however defined.”

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

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

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

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

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

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

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

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

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

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

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

Another frequently made claim is that the prison system in South Vietnam is supported with funds provided through the U.S. foreign assistance program.
In the past that was true. The United States has contributed substantially to police and related programs over the years. Total amounts expended through March 1974 are: $28.2 million for public safety telecommunications; $67.5 million for national police support, and $1.7 million for correctional centers—for a grand total of $97.4 million.

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

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

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

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

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

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

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

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

In view of the fact that the United States contributes substantial military and economic assistance to South Vietnam, every effort should be made to encourage the Government of South Vietnam to take more
rigorous measures to determine the extent of corruption, to identify those individuals involved, and to remove them from positions of responsibility.

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

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

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

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

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

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

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

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

(b) Freedom of movement at the camps was evident. For example, commercial buses serve several of the sites we visited and the refugees could be seen moving in and out of the camp at will. In areas like Quang Tri, where PAG areas are not far away, anyone determined to join the other side could merely walk west. Apparently few do.
(c) Complaints that resettlement sites encroach on PRG, or contested areas are true only if one considers all uninhabited land to the other side. In many cases the resettlement sites are on cleared jungle lands, which no doubt once provided cover for guerrilla activities.

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

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

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

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

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

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

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

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

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

The land reform program began in March 1970 when the land-to-tiller law became effective. At that time the goal was to transfer
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1 million hectares (2.5 million acres) during the first 3 years of the
program. By March 26, 1974, the fourth anniversary of the land-to-
tiller program, applications for transfer of 1,297,350 hectares had been
approved and titles issued for 1,444,687 hectares.

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

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

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

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

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

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

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

After looking into this and other reported incidents of backsliding
on land reform, USAID investigators concluded that the charges
"appear to be without merit."
There have also been allegations of corruption in the administration of the land reform program. According to USAID the only study on this issue showed a complaint and grievance rate of less than 1 percent of the number of people affected by the program, and only 7 percent of these complaints related to corruption. The mission concluded that "perhaps there has been some limited corruption, but available evidence indicates it was remarkably low."

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

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

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

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

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

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

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

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

In the year since the enactment of the earmarking of some funds to facilitate adoption of Vietnamese children, especially those of American parentage, many of the obstacles which previously had rendered adoptions difficult have been overcome.
At the present time about 50 Vietnamese children per month are being processed for U.S. adoption. When programs move into full gear that number is expected to be between 100 and 150 orphans monthly.

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

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

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

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

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

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

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

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

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

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