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Monday, July 24, 1967 -- 9:03 am

Mr. President:

*Pres file*

Herewith an ugly situation for  
which we must prepare as best we can.

I'm inclined to think postponement  
would be a good idea -- if possible.

W. W. Rostow

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Memo for Mr. Rostow from Ben Read, 7/21/67  
"McClellan Hearings on Pharmaceuticals and Aid  
Diversions in Viet-Nam."

cc. Marshall Wright

WWRostow:rln

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E.O. 12356, Sec. 3.4(b)  
White House Guidelines, Feb. 24, 1983  
By EG, NARA, Date 7-17-91

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WASHINGTON

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S/S 12838

July 21, 1967

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MEMORANDUM FOR MR. WALT W. ROSTOW  
THE WHITE HOUSE

Subject: McClellan Hearings on Pharmaceuticals  
and Aid Diversions in Viet-Nam

I wish to bring to your attention the enclosed cables discussing the forthcoming McClellan hearings on aid diversions in Viet-Nam. The Department understands that the first case likely to be considered during the hearings is that of La Thanh Nghe, recently-resigned Minister of Commerce and a prominent Vietnamese businessman who is closely associated with Prime Minister Ky. Nghe is also a candidate for the Upper House in the September 3 elections. As the exchange of cables indicates La Thanh Nghe has been implicated in several illegal dealings (receiving kick-backs from U. S. drug suppliers) involving pharmaceuticals imported under the U. S. Commerical Import Program. The investigation of his activities in public congressional hearings is likely to have an adverse impact here and in Saigon during a period of intense election activity in South Viet-Nam. Carl Rowan wrote an article some time ago on the Nghe case alleging not only corruption but diversion of drugs to the VC and a high level U.S. decision to kill an investigation. In response to congressional and public inquiries, we have acknowledged obtaining refunds for the kick backs but refuted the other two Rowan allegations. It is possible that Rowan is pursuing his interest in the case.

We have considered whether efforts might be made to persuade the Committee to postpone its hearings until

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NEJ 94-163  
By 20, NARA, Date 2-20-94

after the September elections. However, we believe that the Committee hearings could be just as damaging if postponed until after the elections, especially if the Thieu-Ky ticket wins, as they would be if held prior to the elections. Moreover, it would be exceedingly delicate to interfere with the timing of congressional hearings. We conclude that the disadvantages of making an effort to have the hearings postponed are likely to be greater than the damaging effects of the hearings themselves.

We have asked Ambassador Bunker to alert Prime Minister Ky to the problem and will consider further possible actions thereafter.

*John P. Walsh*  
Benjamin H. Read  
Executive Secretary

Enclosures:

1. Saigon 1233 (EXDIS)
2. State 10595 (EXDIS)