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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington 25, D. C.

May 15, 1963

Mr. Rufus C. Phillips
US AID to Vietnam
c/o American Embassy
Saigon, Vietnam

Dear Rufe:

Your letter to me and your memorandum to Joe Brent of May 1 on the question of financing of the counter-insurgency effort have been very much on my mind. I hope you will understand that since I returned to Washington we have been overwhelmed by preparations for our Congressional Presentations. There were two this week. On Monday I was before the Senate Appropriations Committee on our personnel/management and I have just returned today from our hearings before the House Foreign Affairs Committee on the whole of our program.

Today was not a very comfortable environment for the hearings as we had an editorial in The Washington Post following up Warren Unna's story on Nhu's suggestion for a 50 percent reduction in the number of GI's in Vietnam that gave some members of the Committee difficult questions to ask concerning our policies in Vietnam. What I am about to say to you is not influenced by this experience of today nor by the news statements.

At the Honolulu Conference I talked with Ambassador Nolting, with Joe Brent, and also raised, on the floor of the conference, the problems of our counter-insurgency operations under the changed financing plan. I asked General Harkins in the general meeting whether he had heard from his MAAG sector advisors that the change in financing would impede the programs establishing the strategic hamlets and the movement of supplies to them. He said he had not heard from them and did not know whether there would be great difficulties.

Both Nolting and Brent agreed that the system had to be changed and that a compromise method of operation, using the Government of Vietnam funds in the manner acceptable to the Government of Vietnam, would have to be tried. When I said on the floor of the conference that our Assistant Director had reported he expected difficulties in operation and any change in the methods that had been followed would be an impediment to the program, Secretary McNamara said he did not think that we

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could very well insist on perpetuating a system where the GVN had such strong objections. Secretary McNamara did not, however, appear to have been briefed on this subject. Because MAAG had not prepared their position and thereby there is only the Ambassador's and Brent's views here that a compromise method should be tried, it would not be good for you to visit Washington now.

I discussed this at some length with Dave Bell. He and I agreed that your views had to be heard and respected as you are the man on the spot charged with the responsibility of that which is central to our whole program in Vietnam. We agreed, however, that because the Ambassador feels that even if we purchased piasters with dollars the Vietnamese might not permit us to use them as we had in the past, we had no alternative but to attempt to make the alternate system work. On the other hand, both Dave Bell and I feel if it does not work, if the goods are delayed in delivery, if there are impediments to the program that the question should be promptly reopened.

I am sure that you will find that Joe Brent, the Ambassador and General Harkins will all feel this way. We urge you to take this attitude and not to prejudge the alternate system. If it does not work, if there is a documented case of delays, inefficiencies and waste, I assure you that you will have plenty of support in changing the system.

The question of your resigning and other members of your staff resigning would not achieve, at this time, a change in policy and will damage not advance our hamlet program in Vietnam. The problem cannot be dealt with that way. We cannot afford to lose your services; we have no replacement for you and will not look for one. I have not met anyone whom I would trust to have the same understanding, the same energy and the same passion for this program. The achievements of the strategic hamlet and your achievements are at the core of the aid program in Vietnam, and it is not a program which can spare you nor, in my opinion, is it one you can walk away from. Our assignment is to finish this program. We suggest that you do this: operate in such a way as to respect to the greatest degree possible the Vietnamese sensitivities about not losing control of their government to us and yet we must not sacrifice a critical amount of efficiency. All the materials we supply are still in our hands, the food, fertilizer, barbed wire and guns we still control. Only the piaster fund control has changed. If you find impediments to the flow of materials to the strategic hamlets, because of the Vietnamese management of funds, these should be documented not just by you but jointly with the MAAG sector advisors. It will greatly simplify our programs if we represent what we find in this area as a joint AID/MAAG report. As I understand President Diem's and Nhu's objections to American intervention at the province level, it is primarily directed against the MAAG people and not towards A.I.D. In any event, the strategic hamlet efforts are in a ^{joint} program

and involve the flow of MAAG materials as they do ours. Joint reporting seems to me essential if we are to watch the "compromise" plan.

I would like to say that I read with pleasure and with substantial benefit your report on Quang Ngai and found it very heartening indeed. I assure you that I share your concern about any change that may spoil or impede the very promising hamlet program. I want you to feel free to ask that any of the reports you make to Joe Brent should be sent in copy to me. I have, of course, sent a copy of this letter to Joe.

It would be most welcome if something good came out of this in the way of increased Vietnamese efficiency and greater provincial authority and initiative. I have passed your letters around, and many of us here are worrying with you.

With best regards.

Cordially,

Seymour J. Janow
Assistant Administrator for the Far East

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