

15/61
April 30, 1963

SUBJECT: Financing, and the Future of the Counter-Insurgency Effort
in Vietnam

REF : Embassy Telegram 959 (Limited Distribution) dated April 26, 1963

1. We are winning the war in Vietnam. As predicted, the Viet Cong have begun a broad series of attacks against strategic hamlets. By the pattern of their recent attacks they demonstrate that the Strategic Hamlet Program has begun to hurt - that they feel forced into action which, if continued, can only further separate them from the people. Dramatic proof that the Strategic Hamlet Program can achieve its objectives lies in the recent operations in Quang Ngai province. There, all but one of the hamlets attacked resisted the Viet Cong; many voluntarily offered food and help to the Army; and the Army itself felt free to continue with a planned operation intended further to extend the strategic hamlet area.

2. We are now asked to give up essential ingredients of what has proven to be a winning formula. We are asked to give up direct US funding, and to give up effective US participation in the province administered counter-insurgency operations directed at winning the people. Yet, it is precisely this participation, and the funding system which has supported and made it possible, which are essential to the success of the program. For this reason I cannot concur with, and must register my strong objection to, the change in funding procedures described in reference telegram. The

doubts therein expressed as to the workability of the proposed funding system are more than justified; to risk destruction of the program in the provinces in the face of such grave doubts is not.

We are sincerely convinced that the Provincial Rehabilitation Program, and the Strategic Hamlet Program which is its heart, could not have achieved its present measure of highly encouraging success without:

- a. Provision of funds by a US agency directly to the responsible officers in the provinces, as in the present funding system; and
- b. Responsibility for expenditure (and thus for many actions) in the field being shared by the GVN responsible officer (the Province Chief) with a selected US officer. This requirement is now admirably met by the device of the Joint Provincial Committee which alone can authorize the expenditure of the funds requisite to the success of the program. (The "veto power" mentioned in referenced telegram is, in fact, precisely the opposite in its effect; for it is most often an approval which gives the province chief the backing which he feels he needs. Exceptionally it is used as a veto; a veto of injudicious or improper fund use; the reason why the GVN originally wanted it. It has been a most valuable device to facilitate the right expenditure at the right time for the right purpose.)

The GVN proposal completely eliminates both of these essential and mutually reinforcing ingredients of success. Had either been lacking from the beginning, I believe the failure, rather than the success, of the

Strategic Hamlet Program would now be apparent. True, that failure might bear the same superficial appearance of success as it now does in those few provinces where it is a failure. If we accept full GVN control of financing, and give up the right of approval of proposed expenditures at the province level, we virtually eliminate the US from any significant voice in provincial affairs. This will be tantamount to giving up any appreciable influence over the conduct of the most important part of the war and leaving it entirely to the discretion of people who are only beginning to learn how to win it.

3. Before going into the bases for these strong statements, I must make clear that this paper is neither destructive criticism, nor a negative approach, but a realistic appraisal of the problems which face both the GVN and the US. It is our belief that the GVN and the majority of its leaders have made an admirable effort to overcome almost insuperable obstacles, and that the US must continue to give understanding, intelligent support to them. Thousands of Americans have labored, and are laboring, long and well in this support, often against obstacles which seem as great as those facing the GVN. Neither US nor Vietnamese interests will be well served, however, if we fail to see clearly the weaknesses of individuals and of systems; if we fail to make allowance in our plans for known weaknesses as well as known strengths. The statements and criticisms herein are necessary to make clear, and thereby to help overcome, some of the obstacles faced by Vietnamese and Americans, and to prevent the creation

of new obstacles.

4. Certain basic facts and situations must be understood. First in importance to the present problem is the realization that, as is generally agreed, the success of the Strategic Hamlet Program (which is the core of the Province Rehabilitation Effort, and, indeed, of the government effort to secure the support of the population) is now essential to victory in Vietnam. Conversely, failure of the Strategic Hamlet Program will inevitably mean defeat in Vietnam, unless the US is prepared itself to take over the conduct of both civil and military efforts, with a commensurate increase in the resources and personnel committed to the struggle, and in the inevitable losses.

Second, the Strategic Hamlet Program, or any program, depends on giving the man in the field the means and the authority to do his job. Success of the Strategic Hamlet Program in Vietnam depends on the individual province chiefs having the resources, the authority, and the will to use them, and the knowledge to use them well. This requires that the US be prepared to give on-the-spot guidance and encouragement, and back this up immediately with the means which the province chief needs.

The provision of US funds directly to the provinces, and the mechanism of the Joint GVN/US Provincial Committee have made these actions possible, and effective. (At the same time, they have provided a mechanism for substantially reducing the possibility of improper or delayed use of US resources, and thereby reduced the likelihood of adverse criticism, either domestic or foreign.)

5. The funding procedure which reference Haptel proposes to accept, inherently guarantees too many undue delays in the use of funds. It renders the US ineffectual to prevent such delays and equally unable to prevent their injudicious use. Many factors contribute to the inevitability of undue delay, not least of which is the actual working of the Vietnamese Government, which one minister has privately described as organized chaos. Another is the still strong (and in some quarters increasing) reluctance at the national level to delegate authority.

6. Reflecting this, and perhaps the most nearly insuperable problem, is the reluctance of many province chiefs and other officials to assume responsibility for action, particularly when that action is the disbursal of funds. For example, in June 1962, it was reported and verified that no action had been taken or could be taken in Ninh Thuan Province to feed Montagnard refugees. More than 65 literally starved to death in five weeks' time, - despite the fact that 20 million piastres had earlier been personally advanced by the President to the Commissioner General for Land Development for feeding them. The same thing was happening throughout the country, with CAS being the only responsive agency, American or Vietnamese.

Since the Joint Provincial Committees have come into existence with funds at their disposal, the GVN and USOM together have been able to provide almost instantaneous response to emergency requirements. No Montagnards have starved or been obliged to return to the Viet Cong for lack of support. A gratifying record of meeting other needs, such as

those of hamlets destroyed by the Viet Cong, has been established. Despite this, the province chiefs with few exceptions are not ready themselves to accept responsibility. Many have expressed to me their fear of spending checks for the one million piastres given to them in October 1962 by Mr. Nhu for the initiation of Province Rehabilitation Programs. They have felt that the expenditure of this money without meeting accepted complicated GVN accounting procedures would certainly result in charges of graft. Consequently, many still have much of this money on hand.

7. The Government in Saigon, even if it made the money available promptly, would be unlikely to give the necessary flexibility in its use to the Province Chiefs. My intimate contact with many Vietnamese officials and their subordinates on a day-to-day basis convinces me that the vast majority, beginning with Mr. Nhu and the President, are not psychologically prepared to make a decentralized, post-audit system work. Moreover, the Ministries, with the possible exception of that for Rural Affairs are, if anything, even less prepared to accept it. A substantial groundswell of opposition to the idea has, in my opinion, been created by our six months of decentralized operation. The bureaucracy sees itself losing control of the Province Chiefs. Certainly, Mr. Nhu has made it clear to us, via Mr. Richardson, that he feels the province chiefs now have too much power and authority, and that this must be reduced in the near future. Will he maintain even a vestige of local power and autonomy when, in effect, he himself will be giving the province

chiefs their critically needed money? Responsible officials in the Government in Saigon have privately assured me that the post-audit concept will not be applied to GVN funds, regardless of promises, and there are many indications that this is true. (They have also expressed grave doubts that the Government can operate effectively in the provinces without US participation.)

8. Even if we could be sure that Mr. Nhu would make adequate and timely allocation of funds under a post-audit system, such funding would not serve the counter-insurgency program well. Inevitably, the principal criterion employed by the Province chiefs in their use would be the understood desires of Mr. Nhu. In other words, the majority of province chiefs would feel compelled to spend money on window-dressing for Saigon, rather than to spend it on projects which would directly help the people or the program -- but be less spectacular.

In screening many of the strategic hamlet progress reports turned in to the Interministerial Committee by the province chiefs, I have found only one out of the forty chiefs, (Colonel Chau of Kien Hoa) who has had the courage to state flatly that his lack of progress is due to the hostility or indifference of much of the population, and that this cannot be changed quickly. We must accept the fact that, at this time, many of the province chiefs would prefer to take the people from their established homes and herd them into quasi-refugee camps, calling them strategic hamlets, rather than risk the wrath of Saigon by telling the truth. Many

Vietnamese officials, including many of the province chiefs themselves, admit that this is true.

9. Assuming that the foregoing obstacles could be overcome (which they cannot be in the foreseeable future) there would still remain the obstacle constituted by the very human and very Vietnamese reluctance to accept advice. Vietnamese themselves admit a tendency to xenophobia; to an unjustified belief that they know all about this kind of war (which they showed no signs of winning until the initiation of the strategic hamlet program) and a strong conviction that "you Americans can never understand our problems." (All these beliefs are fallacious, yet they are shared by too many Americans.)

An acceptance of these facts must not be construed as disparagement of the Vietnamese and the conclusion must not be drawn that little can be done because of this reluctance to accept advice. On the contrary, we must understand this psychological climate, and understand that if we outsiders lose our ability to back words with deeds -- i.e., money -- the value placed on our advice is greatly depreciated. Without substantial US influence at the provincial level (and the influence of MAAG advisors as well as USOM representatives, in most provinces depends heavily on their participation in the funding process) the Vietnamese government is most unlikely to succeed in truly winning the populace -- in which case the war is lost. In a few provinces the advisory relationship necessary for the program to succeed will continue even without direct US participation in funding. Certainly, this will not be true in provinces where operations

are now going badly because the province chiefs are inept, dishonest, or both (examples are Vinh Long, An Giang, Dinh Tuong, Phuoc Thanh, Ba Xuyen, and Kien Tuong provinces). In those we now exert little influence, and now receive almost no cooperation despite the Joint Committee procedure. Once we are frozen out of the funding, our influence will disappear altogether, and US personnel in those provinces will be only unwelcome reporters.

10. Four of the provinces named above are critical to the pacification of the Delta. If we are not able to influence the course of events in those provinces, I believe the Strategic Hamlet Program will continue to be a failure there. Conceivably this situation may be remedied by the GVN replacing the province chiefs, but since two of them are favorites of the President, early action seems improbable. Certainly, we can exert no influence by controlling commodities. This type of official would rather see the people of his province suffer from lack of them than give us the slightest voice in affairs there.

11. Willingness to accept the GVN position seems to some extent impelled by a belief that retaining control of PL 480 and other commodities means retaining influence; meaning, in effect, bargaining power. Any MAAG advisor can testify to the fallacy of the concept that control of supplies necessary implies effective influence. Actually, in many cases we could not even move these supplies and put them to work without funds over which we have joint control. This has most certainly been true in areas where our

influence is limited. In most other provinces it is to be expected that the movement and use of our supplies will in the future be sharply limited. The province chiefs will have other and higher priority uses for their funds, or will insist that, if moved, the supplies must be used for purposes to which we cannot agree. For instance, almost every province chief has placed top priority on the use of cement for the construction of permanent housing for CG and SDC dependents. We have consistently refused, because this unprogrammed use of nearly all the cement available would virtually eliminate needed, planned, economic and social development projects of far greater impact. We have made our decision stick only because we have access to funds to move the cement, and to use it for the agreed purposes. Without these funds, this cement would be sitting hardening in the warehouses of many provinces.

To cite another example, we could never have moved our fertilizer in Central Vietnam had it not been for the miscellaneous funds in the provincial agreements. Many province chiefs would have preferred to hold the fertilizer at provincial level rather than use money to move it to the users. Preparing model hamlets for a presidential visit or a lavish display of propaganda in some areas would have taken precedence. I could not recommend ordering any more fertilizer unless we have some access to funds at provincial level to insure it reaches the people.

All the experience gained in provincial operations dating far back before the Provincial Rehabilitation Program, as well as experience with the latter, shows that supplies in province warehouses are as meaningless as supplies in Saigon warehouses. (There, French tools rusted for 10 years, until we found the funds to move them out.) We must have the money

to move supplies to the people before they will have any counter-insurgency value.

12. To sum up, I believe we should exploit success by continuing the system which has produced this success, rather than change horses in the middle of the stream. If we cannot withdraw the necessary funds from counter-part without unduly exacerbating relations with the GVN, let us generate them in some other way. A special limited source (US) commercial credit might be established for the GVN, in exchange for the delivery to USOM of piastres to be spent in support of the Province Rehabilitation Program, is but one of the possibilities. If funds can be generated in no other way, a new special piastre purchase would be relatively inexpensive -- in comparison to the almost certain costs of failure in the Strategic Hamlet Program.

The amount required would not be large. 1,342,542,000 VN\$ (round off) is the best preliminary estimate of the additional funds required to maintain effective support of the strategic hamlet program until the end of fiscal year 64, by which time the Strategic Hamlet Program should be through its most critical phase. The GVN says it is willing to put up 2.3 billion piastres for all of USOM expenditures. This, we believe, will not be forthcoming and usable in a timely, effective manner, but some will undoubtedly be forthcoming. An additional 8 million dollars, in piastres, for disbursement under present procedures, would provide, we believe, a sound operating cushion, enough to make our influence effective and to keep the Strategic Hamlet Program progressing satisfactorily -- if the GVN honors its commitments.

If it does not, this sum will keep the program going until appropriate action can be taken.

We are winning the war at the only place where a counter-insurgency can be won -- in the minds and hearts of the people. It is my profound conviction, which is shared by my staff, that the proposed changes, and their inevitable consequences, would seriously jeopardize the continued success of the Strategic Hamlet Program. If it fails, the war is lost in Vietnam. We have too much at stake to risk losing another war for a paltry (in comparison to our total expenditures here) saving which, in the end, might well prove to have been an illusion.

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