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28. Memorandum From the Administrator of the Agency for  
International Development (Bell) to President Johnson<sup>1</sup>

Washington, January 19, 1966.

SUBJECT

Non-military aspects of the effort in Vietnam—January 1966

I spent the period January 1 to 5 in Vietnam, accompanied by Chet Cooper of the White House staff, Rud Poats and others of A.I.D., and Dick Cooper of the Bureau of Economic Affairs in State. We concentrated on the problems of inflation, port congestion, and the pacification of the countryside. Our principal conclusions and recommendations are reported in this memorandum. I would be glad to amplify them in any way you may wish.

*1. Pacification/Rural Construction.*

Now that the introduction of U.S. troops has arrested a deteriorating military position, the highest priority problem in Vietnam, in my opin-

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<sup>1</sup> Source: Johnson Library, National Security File, Memos to the President—McGeorge Bundy, vol. 19. Secret; Limited Distribution. In his January 20 covering memorandum forwarding Bell's report to the President, McGeorge Bundy stated: "I think you will find it well worth reading all the way through. I agree with nearly all of it, and so does Bob McNamara." (Ibid.) See Document 15 for Bell's oral report to the President on his trip.

ion, is to develop a tested and reliable system for "pacifying" the countryside. "Pacification" means, once major VC or NVN military units have been swept from an area, to establish effective local security against terrorism, to identify and eliminate the hidden VC cells (the "invisible government"), to establish effective institutions of local government including means for popular participation, and to commence solid programs of economic and social development (education, health, agricultural improvement, etc.).

The joint GVN-US objectives in Vietnam require a steady widening of the "pacified" areas, behind the shield of military protection. And yet it is a striking and melancholy fact that no significant progress has been made in pacification for the past several years, despite a great deal of effort.

Now a new effort is underway under the title of "rural construction." In some ways the new effort is more promising than anything that has gone before: it has good leadership and backing within the GVN, and is based on more realistic plans and timetables than anything tried previously. There is as yet, however, no basis for optimism. The pacification task is inherently very complex and difficult and will require years to complete under the best conditions. The new effort is still almost entirely on paper. And neither the GVN nor the U.S. approach to the pacification effort, in my opinion, is yet strong enough or well enough organized to get the job done.

In view of the importance of this subject, I attach to this memorandum as Annex A<sup>2</sup> a fuller discussion of the present situation.

In summary, my recommendations are:

—that higher priority—second only to that given the seeking out and destruction of major enemy troop units—be given to the pacification program by all U.S. elements in Vietnam;

—that, since all elements of the U.S. Mission in Vietnam are necessarily involved in pacification, a single point of responsibility be established in the Mission for managing the U.S. effort in support of the GVN rural construction program. My own suggestion for accomplishing this is to assign this responsibility to Ambassador Porter as his first priority assignment. Under this concept, Ambassador Porter, supported by a small staff and working with the heads of the country team units (MAC/V, A.I.D., JUSPAO, etc.), would be responsible for preparing integrated plans and schedules for the various action programs and, when they have been approved by Ambassador Lodge, for supervising their execution. (In preliminary discussions of this recommendation in Saigon, Gen-

eral Westmoreland and Mr. Mann expressed agreement with it, and Ambassador Lodge seemed to receive it favorably.);

—that, in view of the experimental nature of the pacification effort at present and the need to develop as soon as possible a proven system, a strong, continuing program of evaluation and analysis be undertaken with the objective of building a tested doctrine for Vietnamese pacification. I would suggest that this should include a thorough review of progress and problems in Saigon at least once a quarter, with high level participation each time from Washington. Ambassador Porter has been asked for a first report of this type on March 31st.

## 2. Economic problems of the war effort.

With the step-up in the scale of fighting and the involvement of more U.S. troops over the last nine months, the economic situation has changed radically—from a position of some underemployment of resources and relative price stability to one of severe shortages of resources, particularly of skilled labor, and strong inflationary pressures which have already resulted in price increases on the order of 40 per cent since the beginning of 1965. The prospects are for even stronger inflationary pressures this year, stemming from large GVN budget deficits, more spending by U.S. troops, and a larger military construction program, and for even greater pressure on scarce resources—labor, transportation facilities, etc. Remedial action of at least three kinds is required.

(1) There is now serious *port congestion* in Saigon and in the coastal ports. The latter problem should be short lived; actions now underway are expected within three or four months to enable the coastal ports to handle the anticipated traffic.

The port of Saigon is a different matter. There is agreement in the U.S. country team on the steps that are necessary to enlarge the capacity of the port of Saigon, but these steps will require strong and continuous managerial energy in the GVN, which is not now in sight. Accordingly, with Ambassador Lodge's approval, I recommended to Prime Minister Ky that he name a single, strong port manager, reporting directly to him, with sufficient authority to get the job done. The U.S. would name a single senior U.S. adviser to the port manager, who would have such staff as he needed and who would have authority over both the MAC/V and A.I.D. resources needed to improve port efficiency.

The Prime Minister accepted this recommendation in principle. If he carries it out, there will still be needed steady and continuing effort over a period of months to raise the capacity of the port to what is required. And beyond the problem of port expansion as such there will be further difficult problems of warehousing, internal transport, and other logistics elements.

(2) A strong and vigorously executed *anti-inflation program* will be necessary for the foreseeable future to prevent what could become a run-

<sup>2</sup> Attached but not printed.

away inflation. The GVN leaders are seriously concerned, as they should be, by this prospect, and Bui Diem gave me unequivocal assurances, "speaking for the Prime Minister," that the government intends to do whatever is necessary to meet the problem.

The GVN has already taken the most important single step in an anti-inflation program, namely, to decide on an austerity expenditure budget for 1966. While I was in Saigon, a number of additional steps were agreed on: raising GVN taxes, requiring advance deposits of piasters by importers, eliminating the grace period on customs duty payments, increasing government bond sales, and at least doubling the rate of imports financed by the GVN and by our economic aid (both A.I.D. and P.L. 480). Moreover, General Westmoreland has been most cooperative in seeking ways to limit troop spending on the Vietnam market, and to limit the impact on the Vietnamese economy of the military construction program.

Nevertheless, GVN and U.S. economists are agreed that the measures adopted thus far are not sufficient to hold price increases during 1966 to a reasonable figure (say 20-25 per cent). We discussed with the GVN a number of possible monetary measures, some of them rather unorthodox, which might help, but could not reach agreement on proposals which promised both to be useful and to be politically acceptable.

Accordingly, it is necessary to regard the inflation problem as unfinished business, and to keep working urgently with the GVN to reach agreement on a sufficient program.

(3) The underlying problem of *resource allocation* also remains a very important one for which neither GVN nor U.S. programs and actions are yet strong enough. On the GVN side, the government is roughly in the position of trying to run a war without a War Production Board or a War Manpower Commission. The overall demands on men and on material are not gathered in one place, examined in relation to each other, and the hard choices made of what to eliminate when it is plain that not all demands can be met. (For example, I was told that little progress can be expected on land reform this year because the technical men in the Department of Agriculture needed to carry on the work have been drafted into the army or have gone to work for construction companies—not as a result of conscious decision as to priorities but simply the haphazard working of the present system. The same is true of our village health station program.)

On the U.S. side there are the beginnings of arrangements to deal with issues of resource allocation, principally country team committees to consider competing demands on the ports and on construction materials and skilled labor. Stronger arrangements will clearly be needed both in the GVN and in the U.S. country team. I suggest:

—that a small staff be established in the U.S. country team to study anticipated requirements and availabilities for key resources, and to propose means for enlarging resources and for allocating scarce items according to proper priorities;

—that the U.S. country team develop a proposal for establishing staff and organizational arrangements in the GVN to deal with problems of resource mobilization and allocation.

3. As one means for improving the non-military aspects of the U.S. program in Vietnam, I discussed with Ambassador Lodge the idea of sending *high-level teams* from the United States to examine our work in such fields as agriculture, education, and health. Such teams could achieve three valuable results:

—to provide expert appraisals of our present programs and recommendations for improvement—particularly as to how these non-military activities can better support the pacification/rural construction effort;

—to emphasize to senior GVN officials the importance of these non-military fields and the nature of the program they ought to be supporting;

—to re-emphasize the importance that the U.S. gives to these fields.

As you know, the Ambassador agreed with the idea of sending out such teams, provided their trips were carefully prepared and focused on what it is practical to do in Vietnam under present circumstances. While I was in Saigon, the Ambassador discussed with the GVN the proposed visit of the first such team, to be headed by Secretary Freeman. GVN officials welcomed the proposed visit, which is now planned for sometime in February.

I recommend that we plan now to send further teams in the field of education (headed perhaps by Assistant Secretary Keppel) and in the field of health (headed perhaps by Dr. Boisfeullot Jones of Atlanta and by Assistant Secretary Philip Lee of HEW). The possibility of additional teams could be examined in the light of the experience gained in sending these three.

#### 4. A few miscellaneous observations.

(1) I visited three camps for *refugees*—one at Hoi An, south of Danang, and two at Qui Nhon—and talked at length with the A.I.D. people in charge of refugees nationwide. At present, the number of refugees is fairly static at around 400,000 in recognized camps, with some still arriving but some also returning to their villages or becoming resettled in urban areas. All are receiving food and are under shelter. Much remains to be done to provide schooling for the children, training for adults, and assistance in resettlement.

(2) At Averell Harriman's request I looked into the matter of help and advice to *other free world aid donors*. In order to improve our performance in this area, the A.I.D. Mission is now establishing a special office whose sole job will be to act as liaison with other donors—to offer advice on the kinds of aid that will be most valuable, to arrange for logistic support for aid teams from other free world countries, etc.

(3) I talked with staff of A.I.D., Embassy, and General Lansdale's group about the problem of *economic warfare*, that is, the effort to deny medicines, food, and other items to the VC. This is a very complex problem on which the combined U.S. Mission is beginning to focus. We are proposing to assign an experienced senior officer to work full time on this task, which will require strong coordinated efforts by the police, the military, and the economic agencies in Vietnam.

(4) The *A.I.D. Mission in Vietnam* is being expanded rapidly from about 650 Americans to around 900–1000. It is by far the largest A.I.D. mission in the world, and has a much faster-moving, more operational set of responsibilities than most other missions. We are striving hard to find the executives we need, by reassignment from within A.I.D., by borrowing from DOD, by recruiting from outside. We have not yet caught up with the workload, and I expect that for months to come our top management in Saigon will be spread very thin. This is basically the result of the fact that A.I.D. has less of a career personnel system than any of the other U.S. agencies in Vietnam.

Nevertheless, I was for the most part impressed and pleased with the calibre of the A.I.D. personnel in Vietnam. We agreed on some replacements while I was there, and on some improved and simplified organizational arrangements. My present judgment is that if we are careful not to add low priority assignments to their present workload, the A.I.D. Mission in Vietnam will be able to carry out its assignments successfully.

David E. Bell