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TO: Dr. Stanley Gabis, Acting Coordinator
FROM: Dr. Lloyd D. Musolf, Chief Advisor *ldm*
SUBJECT: Tax Reform in Vietnam



Your letter of December 1 is the occasion for this memorandum. Let me review certain developments in the tax reform program.

At the time the Deans were here, there was frank and full discussion of the question of whether MSU should recruit the three tax advisors Taylor had requested. Prior to the Deans' arrival, Ralph Smuckler had taken the position that MSU should not be involved in recruiting because the persons recruited would be off-campus types. Milt Taylor was unready to accept this decision, but when the Deans reaffirmed Ralph's position he did accept the notion that MSU would not recruit.

After the Deans had departed, there were discussions with USOM on the question of recruitment. The alternative of having a consulting organization such as PAS do the hiring was explored. The consensus was that the procedure of developing a contract between ICA and the consulting organization would be a process lasting perhaps a year. A second objection to the idea was that persons coming out under these auspices would be likely to want to begin the examination of tax problems anew rather than executing the ideas developed by Taylor. According to Roland Smith of USOM Finance Division, USOM would dislike to have something like this develop.

The next alternative explored was that of obtaining MSU assistance for USOM recruiting. This was explored very thoroughly and was finally accepted at USOM. A lengthy cable was drafted to ICA/W offering Milt Taylor's services as a recruiter. There was general agreement that Milt would be the best recruiter because of his intimate knowledge of the situation. Two days ago the ICA/W reply to this suggestion arrived. ICA/W was appreciative of Taylor's offer of assistance but rejected it on the basis that ^{correctness} our contract did not permit it. (Although I have some doubts of the ~~justice~~ ^{correctness} of this, I suspect it is not worth pursuing because ICA/W has strong notions about doing its own recruiting, from

what I can gather.) In its reply ICA/W promised highest priority efforts in recruitment. ICA/W asked for completion of certain forms, and these have already been completed and sent to Washington.

Now that I have briefly reviewed developments out here, let me turn to your letter of December 1 and the Hendry letter of the same date, which you enclosed. Both letters were sent to Taylor, and the enclosed is his reply. You will observe that Milt has replied in what he himself labeled as perhaps a bit intemperate. Let me explain that he feels that events are moving very well for him out here now, and he is afraid that discussions with Tho along the lines that Hendry followed may have the effect of raising doubts in Tho's mind about the rightness of the course he is pursuing. As you may gather, all this means that Taylor's thinking is proceeding much as Tho's and he is fearful that someone will come along and rock the boat. While not sharing Milt's alarm about the nature of Hendry's discussions with Tho, I think it should be said that Milt is right in feeling that things are moving nicely. USOM is backing Taylor to the hilt. Vinh, the Acting Director of the Tax Bureau, is proposing several reforms. Finally, it is apparent that Tho himself is anxious to return and get on with the job. (Incidentally, the reason for Tho's haste in leaving East Lansing and getting on with his tour is that he is afraid Vinh will steal his job.)

Roland Smith and Kal Dienes at USOM have expressed themselves as greatly concerned about Dave Cole. They have two questions. The first dealt with whether GVN permission for Cole's visit had been secured. This was quickly cleared up when I produced Thuan's letter to Smuckler giving permission. The second one was more serious and is not yet settled. This is the question of what Cole will do while here. Neither Dienes nor Smith (nor, I might add, Taylor) is satisfied with the idea that Cole will come here and try to propose and sell his particular tax package. The preference of all three individuals is for Cole to undertake a specific piece of research which will advance tax reform. The fear is that if GVN is faced with two sets of tax proposals the momentum for tax reform will be halted. Tomorrow Smith, Dienes, Taylor, and I will meet to discuss an assignment for Cole. It is felt that he should be told well in advance of his arrival what he is expected to do while here. In a few days I will let you know what the verdict is, and you will, of course, want to inform Cole as soon as possible.

IDM/dcm

Enclosure