

Cecil

December 1, 1959

To: Stanley T. Gabis
From: James B. Hendry
Subject: Mr. Tho's Visit

In an interview with Mr. Tho this morning I tried to draw him out on various topics relating to his visit to the U. S., with results which I have enumerated below.

1. He gives an impression that he has greatly enjoyed his trip to the U. S., and has found it interesting and valuable to him in connection with his position as Director of Taxation. He seems very enthusiastic about the things he has seen, and very anxious to return to Vietnam to put some of these new ideas into practice.
2. He appears very willing to accept American procedures in many different areas, and while he emphasizes adaptation rather than wholesale adoption, on a number of specific issues he seems won over to an American approach. For example, he was very impressed with the job of reassessment which had been done in Puerto Rico, and is anxious to undertake an extensive reassessment program in Vietnam. However, he was also impressed with the large number of people who had been employed in reassessment in Puerto Rico, and the cost of such a program, and quite naturally has doubts that Vietnam would be willing to underwrite as ambitious a plan. He is very anxious to institute a withholding system, although he foresees some opposition to this from civil servants. He seemed to have accepted the idea that a uniform set of tax rates should be applied to all types of income, in contrast to the present Vietnamese procedure of taxing different types of income at different rates, and he also seems to feel that the Vietnamese tax payer can be made to fill out his own tax return in place of current practice in which the Tax Direction computes tax liability. Once again, he is impressed with the need for a large increase in Direction of Taxation personnel to effectively administer changes of this kind. He has discussed tax proposals to encourage corporate reinvestment of retained earnings with academic personnel in various parts of the United States and with staff members of the United Nations. He indicates that he anticipates a gradual, but substantial, increase in the role played by direct taxation in Vietnam, with a corresponding proportionate decline in the importance of indirect taxation. Although he feels that there may be certain types of tax practices which are not suitable in Vietnam, questioning him on a number of specific points failed to bring out any instance which he felt U. S. practices were not appropriate.

3. Mr. Tho seemed confident that he could convince the Minister of Finance, the Presidency, and the National Assembly of the value of the changes which he would recommend on the basis of his trip to the United States. He plans to draw up a complete program of tax reform which will involve the reorganisation of most of the existing tax forms, and will supplement this with recommended administration innovations. He regards these as changes in form, rather than substantive changes; and therefore readily acceptable at the Ministerial level and higher. His confidence that his suggestions will be accepted is encouraging, but I must admit that I entertain certain doubts that acceptance will be as rapid or as complete as he envisions it will be.

4. He is looking forward to the arrival of three tax experts from the U. S. to help him train his staff and establish the procedures which will accompany the changes he has in mind. He does not see any reason to doubt that the recommendation of these advisors in the area of administration will be appropriate, and, provided that the advisors selected are thoroughly familiar with their fields, he sees no problem in using them effectively. All of this assumes that the tax program as drawn up by him will be approved. As I understand him, he considers it his responsibility to draw up the program and outline the general changes he wants, guided by some extent by whatever Taylor and Cole have brought out in their studies and by his own observations in the U. S. The new tax advisors will be technicians who will help him implement what he considers to be essentially his own program. He emphasized several times that program responsibility was his. I questioned him about the timing of arrival, and he feels that he can use the new advisors as early in 1960 as they could be brought out, even though the program will not be approved at the highest levels by that time. The Direction of Taxation, according to his view, has full authority to implement any procedures it may wish to employ, without prior clearance from above. Since he has little doubt his program will be accepted, he wants training and preparation by these experts to start well in advance of final approval. This is an attitude of extreme faith on his part, but conditions in Vietnam may now be such that he is justified in his optimism.

4. In view of the above, it may be desirable to begin the recruiting process as soon as possible, if MSU decides it is willing to undertake responsibility for recruiting non-academic personnel. While I am skeptical about how effective tax experts can be recruited before final approval of a program, I may be overly pessimistic. However, the men selected for this job should be informed on this aspect of tax reform in Vietnam so that they may be prepared for the possibility that an indefinite period of waiting and frustration may await them once they arrive in Saigon. Also, they should be prepared for the fact that Mr. Tho expects them to act as his personal advisors, in which case they would take their directions from him, although obviously they will be expected to offer advice in areas where he has little knowledge or experience. Finally, it is my opinion they should be prepared to spend up to two years or more in Vietnam until the job is really completed. As I understand it, present plans call for a stay of six months to one year, a term I consider too short a time for an effective job.

5. Since the type of person Mr. Tho wants is a non-academic with much field experience, the recruiting might best be done by an organization such as the Public Administration Service who maintain close contact with people who are, and have been, doing this type of tax work. The records of persons they recommend could be sent to Saigon for review, which would accomplish as much as any interviewing done by personnel brought back to the United States for that purpose alone. In short, unless there are particular persons to be recommended, the recruiting process should be left in the hands of the Coordinator's Office, subject to review by people in Saigon who may be interested in the qualifications of individuals being considered for particular jobs.

JHM/ap