

*Clarey N. Tubel*

Speech given by Mr. Leland Barrows,  
Director, United States Operations Mission to Vietnam  
to the Vietnamese - American Association  
October 9, 1956

Later this month, in 13 days, to be exact, I will complete two years service as Director of the United States Operations Mission to Vietnam. I arrived here amid the dramatic and sweeping changes which followed the signing of the Geneva Accords. Vietnam had just been divided along the 17th Parallel. Hundreds of thousands of refugees, fleeing the tyranny of communism, were pouring southward, confident that they would be given a haven by their brothers in Free Vietnam, yet creating an unprecedented burden for the new government in Saigon. Dissolution of the economic union of the Associated States was already underway, creating for Vietnam the problems and opportunities of economic independence. The strength of the new government under the leadership of President Ngo Dinh Diem was unknown and was to be subject to many a test and challenge before its authority was fully recognized and established. Many people had doubts about the future of Free Vietnam. Few, if any, foresaw the tremendous accomplishments which have been achieved in the past two years.

It is not merely for personal and sentimental reasons, however, that I begin my discussion of American aid to Vietnam with a brief glance at the events of the past two years. American aid, like every other aspect of life in Vietnam, was transformed by the events which followed the partition of this country. American aid has had only one purpose these past two years -- to help this government establish and maintain its independence, to extend its authority and bring the blessings of peace and security to all parts of this war-torn land. The amount, the form, the methods of administration and the priorities in the program  
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of American aid have been determined by the needs of this country and the program of this government.

Indeed, American aid to Vietnam as we now know it really began on January 1, 1955. For nearly five years prior to that date, Vietnam shared in a program of technical and economic assistance to the Associated States of Indochina, a program whose benefits are widely scattered throughout this country, and include such significant physical contributions as a public housing development of 1,450 units in Saigon, two modern schools of nursing in Saigon and Hue, and pilot community schools at Hue and Bung. Economic and technical assistance to Vietnam has been continued and enlarged during the past two years, but it has been overshadowed by the much greater contribution American aid has made in other fields.

On January 1, 1955, the United States assumed responsibility for direct support of the Vietnamese National Army, Navy and Air Force. During the past two years, 90% of the Vietnamese military budget has been provided from American economic aid. American aid paid the major cost of transporting, supporting and resettling the thousands of refugees who fled from North Vietnam. Of non-military financial assistance given to Vietnam during the past two years, more than half has gone to the support of refugees. To summarize American aid of the past two years in money terms, \$320 million, or 64% of the total, has been used for military budget support, \$93 million has been used to support and resettle refugees, and \$84 million has been used to provide technical assistance and support for economic and social programs of the government.

To anyone familiar with the history of the past two years, the priorities reflected in the figures I have just given need no explanation. The first need  
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of this government following the Geneva Accords was a strong, loyal, well-trained military force, not only as a protection against communist attack but as a means of obtaining that degree of law, order and internal security which would permit economic and social reconstruction to proceed. Yet, on January 1, 1955, the Vietnamese armed forces were almost wholly dependent upon outside financial support. Naturally, therefore, the first claim against American aid was for support of the military budget. At the present time Vietnamese military expenses are about equal to those of all civilian activities of the government combined, but Vietnamese taxpayers pay only 10% of the total military cost. The remainder is provided by periodic transfers of piasters from the counterpart fund of American aid to the Vietnamese military budget.

The mechanics of this transaction are worth a moment's discussion, because they must be understood by anyone who seeks to understand or evaluate American aid. After appropriate discussions between representatives of our two governments, the United States agrees to support a military budget in Vietnam of a certain size, taking into account both military needs and the amount of money which Vietnam will itself be able to contribute. A sum of dollars equivalent to the amount of piasters required for the military budget (calculated at the official rate of 35 piasters to \$1.00) is then allotted to Vietnam. This money is not used for the purchase of goods directly required by the armed forces, since that is not the form of aid which the military budget requires. What has been needed is mainly piasters for troop pay, subsistence and other internal expenses. U.S. dollars are used to buy goods which can be sold for cash to the private, civilian population of this country, priority, of course, being given to those goods most essential to the economic well-being of the nation.

Piasters which the general public pays for imported goods are put into a special account in the National Bank of Vietnam called the "counterpart fund". This fund is under the joint administration of the governments of Vietnam and the United States. Periodically, as the needs of the Vietnamese Treasury require, funds are transferred from the counterpart fund to the Vietnamese National military budget. Thus American aid, granted in the form of dollars, is transformed into piasters which the Vietnamese military forces require. To make the military aid picture complete, however, I should add that the Vietnamese armed forces are largely equipped with American weapons and vehicles supplied to the forces of the Associated States before the Armistice. In addition to the budget support described here, the United States furnishes the Vietnamese armed forces fuel, spare parts and many other supplies and equipment purchased by the United States Defense Department from direct military assistance funds.

During the past two years, aid to refugees was given almost as high a priority as aid to the military budget. When the refugee movement began, the Government of Vietnam was in no position to face the financial burden created by this vast movement of dependent people. Friendly nations, principally France and the United States, stepped into the breach. France, whose aid was largely confined to the first period, sometimes called the Exodus, transported the bulk of the refugees and gave indispensable help in their initial resettlement. American aid transported nearly one-third of the total and provided most of the funds necessary for subsistence and housing.

Exodus was certainly the most successful and effectively handled of the many mass population movements which the troubled post-war world has seen.

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Nevertheless, through force of circumstances, many of the refugees could, on their arrival, be put in what were recognized to be only temporary locations. Others were established in areas where substantial development work was required to assure their permanent rehabilitation. Recognizing this situation, American aid during the second year of the refugee program was designed to be administered on a community or project basis, that is, the bulk of the money was allotted to individual villages or groups of villages in amounts and for purposes determined by actual survey of the needs of the communities. Funds were made available during this program for the purchase of tools, livestock, boats, fishing equipment, for construction of roads, houses, schools, canals, and for clearing and leveling land.

Of \$37 million provided during the second year of the program, \$8 million was used to purchase livestock, supplies and equipment abroad for distribution to the refugees. The remainder was allotted in the form of piasters to be spent for local purposes. To understand the financial meaning of this distinction, one must recall the mechanism of the counterpart fund described in relation to the military aid program. The piasters needed for refugee support and resettlement are produced in the same way as those needed for the military budget, by the purchase with dollars and the sale for piasters of goods desired by the private sector of the Vietnamese economy. As a matter of fact, of the \$93 million supplied for the refugee program in two years, \$69 million was in the form of piasters.

Even if the refugee aid had done nothing but maintain the refugees and facilitate their eventual rehabilitation, it would, in my judgment, have been

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aid well used, for a discontented, unhappy refugee population, prey to subversive influences, would have imposed a fearful burden on this country. Thanks to the industry and adaptability of the refugees themselves and to the understanding and skill with which the Vietnamese Government has used the refugee aid, the money has served to do much more than maintain the population. In fact, because of the care with which the individual village projects have been planned and the aid apportioned, funds made available in the past two years will assure economic rehabilitation of virtually all the refugees who are physically capable of earning a living. Most of the piasters derived from the second year of refugee aid are still to be spent. Their use, during the next nine months, will complete the work of resettlement. In fact, I am very happy to tell you that the Government of Vietnam has developed a plan for recognizing the re-establishment of each refugee community by formal change of status which will transfer the community from the jurisdiction of the Refugee Commission to that of the local provincial authorities. The first such transfer will take place just three days from now at Gia Kiem in the province of Bien Hoa when the President of the Republic will transfer seven villages to the jurisdiction of local provincial authorities.

In resettling refugees, much is being done to develop the economic wealth of Vietnam. You all know the miracle of CaiSan, where in a little more than six months 43,000 refugees have been resettled in more than 8,000 newly built houses on 200 kilometers of newly dug canals, where despite the handicap of early rains, the first year's crop of 16,000 hectares of rice is growing. Less well known are such upland communities as Gia Kiem, LaLagna and BanMethuot, or  
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such seacoast towns as BaNgori and Balang. Perhaps most encouraging of all is the way refugee diligence and American refugee aid are being used to open new communities in the hitherto unpopulated and unexploited new lands of the high plateau. When everything is taken into account -- the political and spiritual victory represented by the sacrifice the refugees made in moving into Free Vietnam, the great resource of human skill they represent, and the idle and unproductive land they can with appropriate assistance make fruitful -- I can think of no better way to have used American aid for the economic development of this country than in support and resettlement of refugees. If, as I confidently expect, the refugee resettlement effort is successfully completed this year with the funds now available, Free Vietnam will have achieved a success without parallel and will have added fundamentally to its economic well-being in the process.

With such heavy emphasis upon military and refugee aid during the past two years and on the commercial import program necessary to produce large amounts of piasters for budget support, the basic program of American technical and economic assistance has been overshadowed. Yet throughout these two years it has made a substantial and growing contribution to the social well-being and economic reconstruction of Vietnam. In 1954 Vietnam's share of the economic aid to the Associated States amounted to about \$18 million a year. In 1955 economic and technical aid to Vietnam was increased to \$30 million; in 1956 to \$55 million. In 1957 it will go still higher. Moreover, what two years ago was almost wholly limited to technical assistance through training here and abroad and through the work of technicians and the conduct of demonstration projects

projects, has increasingly moved towards a program of fundamental economic development.

It is misleading, however, to measure the importance of an economic aid program solely by the amount of money it involves. The real measure of the success of American economic and technical aid, as of any foreign assistance which seeks to aid in the development of this country, must be found in the degree to which Vietnamese personnel and Vietnamese organizations, both private and public, are enabled to conduct new, larger, more difficult and more complex activities for the benefit of this country. Even major development projects, in which large amounts of capital are essential, cannot succeed, no matter how much foreign aid is available, unless Vietnamese technical skill, organizing and administrative ability, industry, and understanding can be mobilized in their support.

American economic and technical assistance is administered on a project basis. That is to say, every undertaking supported by American aid is based upon a careful plan worked out cooperatively and embodied in a formal written agreement. The project agreement defines the work to be done within a given period of time, the kind of services and materiel which will be required in its execution, and the specific contribution, financial or technical, to be made by the interested Vietnamese organization and by American aid. Each project must fit into a program designed to achieve certain over-all objectives which are also the subject of mutual agreement. Projects may continue for more than one year, but they should have a definite beginning and end so that their success or failure can, within a reasonable period of time, be measured. I take the trouble of

trouble of explaining these administrative details, so that you will better understand what it means when I say that there are in the current aid program 78 active projects in nearly a dozen broad sectors of work. All projects, of course, are conducted by the appropriate Departments of the Vietnamese Government, helped by U.S. technicians and financed by American aid credits. Obviously there is not time tonight for me to give you even a brief description of all the projects which American aid has supported during the past two years. To show you the range of the program, however, and its importance, I should like to describe briefly a few representative projects.

Consider first the field of agriculture which during the past two years has received first priority in the economic program and where a combination of projects seeks to restore the physical resources of Vietnamese agriculture, improve the standard of rural life, and provide for resettlement of the displaced farm population.

In agricultural education there are two main projects: first, the National Agricultural College at Blao, where American aid has established, equipped and is supporting Vietnam's only specialized institution for agricultural education. One hundred students are in training there for work in the government's agricultural services. With enlarged facilities, the number of students will soon be increased to 300. Second, carrying the benefits of agricultural development to the countryside is an Agricultural Extension Service in which trained Vietnamese personnel, supported by American specialists, have created a nationwide organization of agricultural agents who, by working with farmers throughout the country, introduce better methods of farming, improved strains of

strains of livestock and farm crops, and higher standards of rural life. A part of the extension program is a youth organization patterned on the worldwide 4-H Clubs. It has already held its first national meeting at Blao where 500 farm boys and girls met last month to receive the greetings and good wishes of the President of the Republic. Included, also, is an adult educational program for farm women.

American aid to support the re-establishment of displaced farmers is provided in an agricultural credit fund of 225 million piasters. Aid pays almost the entire administrative cost of the Ministry of Agrarian Reform which administers the present emergency farm loan program, as well as the tenant security program under which the rights and obligations of landlords and tenants in Free Vietnam are for the first time defined in written contracts. American aid has also financed the establishment of 20 rice growers' cooperatives, each provided with a warehouse having a capacity of 600 tons of paddy, together with the credit and administrative funds and facilities necessary to make crop loans and handle the purchase and sale of the members' rice crops. These cooperatives, if properly managed and developed, will free the members from usurious interest rates and will protect them from disastrous seasonal fluctuation in the price of their crops.

American aid has supported two projects for the restoration of irrigation and drainage works, chiefly in the coastal areas of Central and South Vietnam. One program dealing with large community projects is conducted through the Division of Hydraulic Agriculture in the Department of Public Works. It includes among its most notable accomplishments the dramatic restoration of the irrigation works at Tuy Hoa, where within nine months after the departure of the Viet Minh,

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a 50,000,000 piaster reconstruction program was completed. Through the Rural Engineering Division of the Department of Agriculture, dozens of small irrigation projects, serving from one to a dozen farmers and including the sale on credit of 100 irrigation pumps, have been supported by American financial assistance and American technical help.

You have all heard, no doubt, about the thousands of buffaloes and oxen which were imported through American aid to replenish the depleted work stock of Free Vietnam. Of a total of 24,000, half are going to refugees and the remainder to other farmers of Free Vietnam. You have probably heard less about other aspects of the American aid program to restore and improve the livestock of rural Vietnam. Six thousand pure bred pigs have been bought abroad for distribution as breeding stock to increase the production and improve the quality of Vietnamese pork. These 6,000 pigs will be distributed to farmers who agree in turn to distribute a portion of their pig crop to their neighbors. Thus, by cooperation among the farmers, the 6,000 pure bred pigs will be multiplied many times. Similar programs provide improved varieties of chickens and ducks. In addition, American aid is establishing three livestock breeding stations which will, in the course of time, make Vietnam independent of imported sources of pure bred stock, will serve as centers for experimentation and for the demonstration of new methods in livestock and dairy production. All these agricultural programs, and others too which I will not take time to mention, are supported almost entirely by American aid, direct dollars paying for the services of technicians and the cost of imported equipment and supplies, and commercial aid furnishing piasters for the salaries of Vietnamese technicians and other local costs.

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In the field of public works, the reconstruction of roads and bridges has received first priority. More than 166,000,000 piasters have been spent for the support of 73 highway projects throughout Vietnam. In addition, American engineers have conducted a survey of the Vietnamese national highway network on the basis of which a major reconstruction effort, using imported machinery, skilled American engineers, and modern construction methods, will be launched at the beginning of the dry season this year.

Waterways, too, are being re-opened and improved with American aid. Four modern suction dredges have been supplied to the Department of Public Works and are being operated on funds provided from American economic aid. Aids to navigation are being restored on the Saigon River. Construction of a new modern pier and warehouse by the Saigon Port Authority has been financed by American assistance.

Large-scale assistance has been provided in the field of civil aviation where a team of seven American experts is engaged in training Vietnamese personnel to take over full responsibility for air traffic control, maintenance and operation of aerial aids to navigation and communications. The airport at Tan-Son-Nhut is being modernized with the addition of improved equipment in all categories, a new airport is being built at BanMethuot, and new navigation aids installed at Tourane.

To improve public administration, American aid has provided the services of the Michigan State University Group whose work is generally familiar to you, I am sure. Included in MSU's varied program are three main spheres of interest: (1) In-service and pre-service training through the National

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Institute of Administration, (2) study of organizational and administrative problems, particularly in the relations between the central and local levels of government, (3) training of civilian police forces, including the Civil Guard, the National Bureau of Investigation, and the metropolitan police forces. In addition, MSU technicians, in cooperation with the staff of USOM, have prepared a plan for re-equipping the civil police forces with transport and communications equipment and with laboratories and other professional necessities of a modern security force. Under this program more than a million dollars worth of new equipment has already been ordered.

In the field of public health, in addition to conducting campaigns against specific diseases, such as malaria and trachoma, providing and supporting schools of nursing and public health training, providing hospital equipment and rural health services, American aid, during the past two years, has provided more than two million dollars worth of medicines for free distribution by the public hospitals of Vietnam and by the widespread teams of Operation Brotherhood and Civic Action.

I might also mention the new dial telephone exchange for the city of Cholon, new electric generating equipment for Saigon, Mytho and Dalat, railway cars, locomotives and rails for the railway, studios and transmitting equipment for Radio Vietnam, village radio sets and mobile public relations units to bring the story of freedom to remote villages, elementary schools, vocational training schools, a new building for the National Normal School, a modern laboratory for the teaching of English, the salaries of 3,000 teachers, a national center for motion picture production, and so on.

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But there is no time for more detail. Instead, let me conclude this portion of my remarks by showing you a map which has been prepared to give you a graphic picture of the extent of American economic aid during the past two years and its wide distribution throughout the country. Of course, many aspects of the program do not lend themselves to such representation. The symbols on this map show those physical works which have a permanent, fixed location and which have left some tangible mark upon the community.

(Description of Map)

I should like to turn now from the details of the American aid program to look for a moment at the way in which the Government of Vietnam has used American assistance to achieve broad, national objectives. This, in the last analysis, will be the measure of the usefulness of American assistance. Looking back over the past two years it seems to me that the economic achievements of the Vietnamese Government equal the dramatic accomplishments in the military and political spheres. I am glad that American assistance has played a useful role in these accomplishments.

In the first place, Vietnam has maintained the standard of living of its population while assuming the heavy burden of establishing civil government and public services in wide areas which were outside the control of the central government during the period of civil war. It has received, supported and resettled nearly three quarters of a million refugees, enabling them to become a national asset. It has supported a strong, well-trained, loyal Army, and by a combination of military, economic and political methods, has subdued armed revolt and extended peace and security to all parts of the country. It has accomplished  
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the difficult transition from a colonial economic status to national independence, creating the new financial instruments and commercial relations appropriate to the new position. It has fostered economic reconstruction not only through direct support of public projects, but also through the use of American aid to finance the private importation of capital goods and industrial raw materials.

Vietnam can justly take pride in these notable accomplishments. They have laid the foundation for even more satisfying economic development in the future. Recognizing this possibility, USOM and the various services of the Vietnamese Government, under the leadership of the National Committee on Foreign Aid, in June, 1956 began a comprehensive review of the aid program for the purpose of increasing emphasis upon long-range economic development. The review is not yet completed, so I cannot say very much tonight about the specific projects which will compose the aid program for 1957. I can, however, give you some general indication of future trends.

It seems certain that during the coming year Vietnam will require and will continue to receive budget support for defense forces. Funds provided for this purpose, together with increased Vietnamese export earnings, will assure adequate foreign exchange for the essential consumption imports of the country and for a significant increase in the private importation of capital goods, if the Government of Vietnam is prepared to encourage such investment. Non-military aid will be approximately the same in 1957 as in 1956. This, together with the fact that the refugee problem will be solved with funds now available, will permit a substantial increase in the amount of money available for new economic development projects.

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Without presuming to anticipate the conclusions of the joint working groups who are now preparing the 1957 program, I envisage a substantial increase in highway construction and other public works, the initiation of one or more resettlement projects patterned after CaiSan but open to all the displaced population of Free Vietnam, the conduct of a number of fundamental economic and engineering surveys necessary to provide a basis for long-range planning, and the creation of new industries making use of the natural resources of Vietnam. Already Vietnam is facing the fact that in planning such new developments, particularly industrialization, lack of capital is only one of the obstacles to growth. Even more important at the present time in Vietnam is the lack of managerial and technical experience and skill, the absence of financial and industrial organizations capable of launching new enterprises, and the lack of certainty among private business interests whose initiative and support provide the most ready source of managerial and technical competence in a free society.

I mention these needs merely to repeat a truism. Foreign aid can provide only a part of the resources needed for technical advance and economic growth. The other ingredients, most important of which is a genuine will to put economic development high on the list of national objectives, can only be provided by the Government and people of Vietnam. Fortunately, the leaders of Free Vietnam understand and are ready to meet this challenge. They are preparing to make the best possible use of the American aid which will be available in the future.

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To anyone familiar with the history of the past two years, the priorities reflected in the figures I have just given need no explanation. The first need of this government following the Geneva Accords was a strong, loyal, well-trained military force, not only as a protection against communist attack but as a means of obtaining that degree of law, order and internal security which would permit economic and social reconstruction to proceed. Yet, on January 1, 1955, the Vietnamese armed forces were almost wholly dependent upon outside financial support. Naturally, therefore, the first claim against American aid was for support of the military budget. At the present time Vietnamese military expenses are about equal to those of all civilian activities of the government combined, but Vietnamese taxpayers pay only 10% of the total military cost. The remainder is provided by periodic transfers of piasters from the counterpart fund of American aid to the Vietnamese military budget.

The mechanics of this transaction are worth a moment's discussion, because they must be understood by anyone who seeks to understand or evaluate American aid. After appropriate discussions between representatives of our two governments, the United States agrees to support a military budget in Vietnam of a certain size, taking into account both military needs and the amount of money which Vietnam will itself be able to contribute. A sum of dollars equivalent to the amount of piasters required for the military budget (calculated at the official rate of 35 piasters to \$1.00) is then allotted to Vietnam. This money is not used for the purchase of goods directly required by the armed forces, since that is not the form of aid which the military budget requires. What has been needed is mainly piasters for troop pay, subsistence and other internal expenses. U.S. dollars are used to buy goods which can be sold for cash to the private, civilian population of this country, priority, of course, being given to those goods most essential to the economic well-being of the nation.

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second year of refugee aid are still to be spent. Their use, during the next nine months, will complete the work of resettlement. In fact, I am very happy to tell you that the Government of Vietnam has developed a plan for recognizing the re-establishment of each refugee community by formal change of status which will transfer the community from the jurisdiction of the Refugee Commission to that of the local provincial authorities. The first such transfer will take place just three days from now at Gia Kiem Kiem in the province of Bien Hoa when the President of the Republic will transfer seven villages to the jurisdiction of local provincial authorities.

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