

Not for Circulation

Field Administration

Record of the meeting with President Ngo-dinh-Diem on Tuesday, August 28, 1956, at Independence Palace.

Presents: Mr. Nguyen-ngoc-Tho, Secretary of State for National Economy (1)
Messrs. Dr. Smuckler, Dr. Fesler, Murphy, Rosenfeld, Quan.

Interpreter: Ton-that-Thien

N. Quan.

President Ngo-dinh-Diem stated:

"I briefly recall some of my opinions I let you know during our last meeting:

- Chiefs of Province shall report directly to Ministries.
- There shall be no more delegates, only agents with auditing and surveying functions called inspectors for supervising chiefs of provinces.
- The present Interior Department is a leftover of the French regime. I would like you to think out for me a new agency like the American Interior Department. Such an agency shall be vested with functions similar to those of its American counterpart excepting, of course, Indian Affairs. These functions shall include, for instance, the development of natural resources, the exploitation of sub-soil products, the reclamation of new land, etc. I mean functions of surveying these activities and not of managing them technically speaking.

Security

So far in Vietnam the government had to deal first with the security problem. Some time ago I scheduled to set up a Secretary of State for Security. The idea was not welcomed mostly from the American side which did not like me to stress too much on Security; otherwise, people might think the country was far from being pacified.

But security not only interests the civil life but also the Army. For the time being the "gendarmerie" is organized on the French pattern: half civil and half military. So it is still of use as the Vietnamese Army is young. Of course, Army has the military security but this one only takes care of counter-espionage. In case of war "gendarmerie" becomes the "prevote" (military police). We consider ourselves in war with the Vietminh as there merely exists a cease-fire and the tension period is going on. In both peace and war time "gendarmerie" is within the supervision of the National Defense Department.

(1) Quan's comment: Although Mr. Tho officially is Secretary of State for National Economy, he is regarded by the President as the most brilliant administrator in South Vietnam. There is a rumor that he will soon be appointed Vice President of the Republic as the newly elaborated Constitution provides for such a position. That explains why President Ngo-dinh-Diem wanted him to be present at this meeting.

FL64

At the higher level relationships are more close between police and Security. So I am wondering whether I should have a separate Security Agency or just a directorate within the Secretary of State at Presidency.

We also have the Civil Guard. As it is now not exactly peace time and the Army task force expects much from the Civil Guard to replace them for the pacification (chase of rebels and collection of armament ...) In the Western operation I got good results as I put the Civil Guard under the command of the operating general. So the Civil Guard contributes to meeting the shortage of Army men. As soon as the situation gets stable, the Civil Guard shall become a kind of "gendarmerie" patterned into mobile units. Mobile units shall be launched as commando units any time the regular security forces appear inaccurate.

All these security and police agencies need coordination and I would like you to work out for me an adequate system which could make each one work in close cooperation with another.

Agriculture, Agrarian Reform and Public Works.

Dr. Fishel has spoken to me about your suggestions on Agriculture and Agrarian Reform. Within the Agriculture Department there now exists several branches (fisheries, animal husbandry, schools, research stations, forestry...) The present Secretary of State seems overworked.

The Public Works Department now has to care for activities which appear positively outside its competence. That is a leftover from the colonial time. At the outset of the French domination the Province Chief cared for almost everything concerned with Public Works. Some rare French engineers were in charge of highways: in fact they were not more brilliant than the French "Resident"⁽¹⁾. After World War I the French undertook a plan of some value aiming at the economic development of the Highland and above all the construction of a network of strategic highways deep into the hinterlands (Cambodia, Laos) since they felt too much vulnerable in case of war with Japan. The French were interested in highways, bridges and plantations for investment of funds but the mass of the population itself had little interest. Likewise, because of shortage of technicians, several ministries, navigation, merchant marine, cooperatives, workmanship, fisheries, agriculture hydraulics, tourism, urbanism...

I would like to relieve the Public Works Department of the urbanism branch and tourism. An ordinance is getting in shape and will be issued soon. (See Annex 2)

I think it is advisable, too, to move the Directorate of Mines and Industries from the Public Works, but for the benefit of what department? I need your help to solve the problem.

(1) Quan's comment: The "Resident of France" was officially the French overall supervisor in the province. In fact he was the petty king as he acted as the eyes and ears of the French rulers.

As for fisheries, I also wonder in what Department I could assign it.(1)

Cooperatives, too, is by itself quite complicated. So far the Agriculture Department wants to have under him the textile cooperatives as he thinks the textile culture is an agricultural business. He thinks similarly for tobacco cooperatives. In fact, the Minister has quite enough things to deal with at the present time and scarcely succeeds with what he has.

So I wish you to tell me to whom of all the Departments cooperatives should be responsible.

Agrarian Reform could not be a technical business of the Agriculture Department as we are now studying the process of land purchase and resale to the farmers. Messrs. Tho and Ladejinsky are the best qualified men to give you all details concerning the problem and I point out that this is a Vietnamese initiative and only a Vietnamese one. The main question now is the investment.(2) Then the Finance Dept., and not the Agriculture Department, should do the job. Even now the signing of land contracts appears a mockery: either the farmers sign for an area which does not coincide with the exact cultivated area or sign whatever may be presented to them to get through. They may not sign at all as in some remote corners they are the true masters and village authorities fear them. The present Secretary of State for Agrarian Reform runs his department the wrong way since he spends most of his time at Cai-San.

The present Agriculture Credit also is not a reliable agency as it inherited a bad reputation of past credits under the French regime. I would like you to find out for me a new formula of credit -- popular credit, rural credit, saving credit... whatever may be the name -- which will cover all kinds of credit.

Finances.

Since the implementation of ordinance No. 17 there is no delegate, no budget, no regional regulations to interfere with central bids. As a result the business is going wrong in the provinces. Provinces ask too much, the Department takes too long to answer a question. While the Delegate existed he had a budget and he did everything promptly. Now ministers do not have adequate personnel and the field administration results in a mess.

(1). Here Mr. Tho stepped in the conversation and suggested the consideration of fisheries under 2 aspects:

- fishing itself (including navigation) shall be within the P.W. Dept.
- marketing (including cooperatives, canning) shall be under National Economy.

(2). Quan's comment: Landowners are expected to be paid not in cash but by bonds or shares in government run business as in Taiwan.

I strongly believe that if we do want to maintain the present system we must reorganize and reshape the ministries; otherwise all departments unquestionably will proceed to a formidable jam and deadlock.

As a result of the above mentioned ordinance, province echelon became sub-managers of the National budget (sous-ordonnateur) and so were regarded as agents of the Finance Department. Unfortunately, so far few provinces have succeeded to fulfill the new additional job. Mr. Phuong, Secretary of State for Finance, has lately made a round trip survey in provinces and his report conclusions were formal: for the time being and due to the shortage of trained personnel, status quo should be maintained. Besides, I just told you previously that the ministers themselves, as they felt they were not up to the shift, have asked me to let the delegates resume the budgeting job temporarily, at least, and until ministries have adequate training.

So I do insist on the necessity of reforming the ministries first and right now, as ministry-services functioning is getting bad in the provinces. Some time ago while the delegates existed, it used to be that Ministers imputed to the latter all troubles which occurred in the field administration. Now since there are no more delegates I would like very much to have my ministers make their "auto criticism".

Suggestions for 1957 budget.

The most urgent work to be done now is the preparation of the 1957 budget. As time is running short before I have it for National Assembly debating and on the other hand no reform project is available, I plan to arrange it in this manner:

1. First directives should be given to all departments to work out their estimates.
2. Along with departments, provinces are requested to present their receipts and expenditures schedules which will be checked in accordance with the department's estimates. In case the province estimates could not be met in toto, provinces would then be requested to provide the balance by collecting province specific taxes.

In brief, the premise is safe:

- all taxes should benefit to the National Budget.
- should any province need additional funds, it is asked for specific contribution by specific additional income.

By picturing such a temporary system I had in mind the old and traditional system which was being commonly used in the past (prior to the French conquest).

In old times, villages and provinces were granted with large autonomy and mandarins were warmly recommended to do the best to have

the free acceptance of the population in every program. Commonly the Central government let the province undertake most of the work. Even work with national interest was done not owing to a big budget but by popular contribution which was mainly arranged by provincial authorities.

Population shared the job mostly by furnishing labor, materials (man-made bricks, lumber, stone...) because money was scarce. Even people who could afford to pay taxes in cash preferred instead to furnish some workdays and saved their money. All the time the conception of the public service every citizen owes to the community is sound rooted among the Vietnamese people, and in the old times mandarins were recommended to collect taxes as little as possible while making the population share the common burden to a large extent.

One year ago when necessity came up to repair the irrigation system of Dong-Cam which was seriously damaged during the war, the Public Works Department submitted to me an estimate which required 2 years work and an amount of piastres beyond my stand. I took the initiative to call to the population themselves who were first interested at the rerunning of the canal network. I merely provided rice and minor equipment and tools. As a result I got my Dong-Cam irrigation system ready within 4 months and 3 times less expensive.

Nine months ago the whole system of irrigation canals and drains in Nha-Trang was cleaned up and dredged following the same process of working. It was so too in Quang-Nam and Quang-Tri provinces. The population contribution in kind to community works appears to me an endless source of national wealth which is waiting for the right use by the government. I saw in Belgium the population building their own houses, even in the night by the light of projectors, and so the housing program was getting on much more satisfactorily than in France where everyone expected everything from the government program of low cost housing.

In July, 1955, I launched the idea of utilizing such a home resource for the benefit of the National rebuilding outside any budget or money investment. I initiated the formation of local work brigades while the government merely provided rice and small equipment or tools. Officials did not understand me well and lost a great deal of opportunity of serving the nation.

Now let me get back to my project of budgeting. Under the French regime provinces had their own budgets and any time that budget was not balanced, the Central Government came down to help by means of subsidies.

My planned budgeting system proceeds the opposite way: National Budget will do its best to pay the program of work (national or provincial interest) and the province budget will bring its share for the unbalanced part of program cost. The provincial effort might be the collecting of specific provincial taxes or the population contribution in kind (labor, lumber. . . .

Miscellany.

Now before breaking up the meeting let me ask you to screen carefully the information you might gather from my officials. All the time I keep recommending to them to answer your interview questions the most "honest" way they can by mentioning as additional information their background. For instance, what are their previous positions, how long have they been in the field, to what old or recent generation (1) do they belong. So that MSU's interviewers may sort them into A, B, C, D, categories and consequently their statements. Otherwise and because of their unequal value and different generation they might tell a lot of untrue details. I have made such a recommendation particularly to the team who is now making the trip to Japan and the Philippines as they are having the opportunity to work close with MSU's men.

Finally, I let you know that within a month from now I shall issue a lot of regulations bearing on reorganisation of the government. I realise they are far from being perfect and frankly I am not quite satisfied with them. I regard them as being just for this transitional period.

(1) i.e. prior-to-1945 or after-1945-generation. Those of prior-to-1945-generation are proud of their graduation from high school their experience, their belonging to the upper ten. They rightly or wrongly look down on the after-1945-generation men as up starts, and french's collaborationists. (Quan's comment)