

Memo for the record: The Challenge of Corruption in SVN  
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1. Some aspects of corruption as a problem—for the US, for the GVN, for the SVNese—in SVN:
  - a. It is very widely believed—by both SVNese and Americans in SVN—that there is widespread corruption in SVN; both small-scale and very large-scale, involving all ranks of officials from village officials to high-level ARVN and GVN figures.
  - b. It is virtually certain that this belief is widely justified, though not in all instances. On the other hand, the true scale and participation in corruption is not known at all exactly; corruption has not been studied in any systematic way by the US Mission. Detailed analysis of practices, comprehensive estimates of magnitude, compilations of reliable evidence are lacking. Hearsay is very abundant; much of it may be true; but we lack facts.
  - c. There is a widespread impression within SVN that the VC—in damaging contrast to the GVN—is not corrupt. This contrast is effectively exploited by the VC, in part offsetting less favorable qualities: ruthlessness, oppressive demands, Communism. Local and national GVN corruption is one of the most widespread and effective of the VC political issues in their rural political programs.
  - d. Though hearsay and suspicions about corruption are discussed very freely within SVN—so that it is hard for a visitor to avoid hearing about it soon after arriving, if he talks to VNese or US officials—newspapermen seem either not to know much about it yet or have not yet chosen to write much about it. Meanwhile, Mission reporting to Washington on the subject has been sparse and allusive. Neither official Washington nor the US public seems yet to have been prepared by past reporting for the reporting that could explode any day, if newsmen began printing a small sample of the hearsay freely available in Saigon or the provinces.
  - e. Corruption could become a potent political issue; not only, as it already is, in the "silent" political campaign being waged in rural areas by the VC, but by VNese aspirants for power within SVN and by US domestic critics of Administration policies or US involvement. If such charges became public, American officials and the USG would probably be implicated as accomplices; probably not so much (if at all) for participating, but for alleged knowledge, silence, blindness, or passivity. The potency of the issue may be concealed by such notions as "Corruption is endemic and inbred in Asia." There is strong reason to believe that corruption is expected, but not accounted, even in SVN (as shown by popular resentment and by successful Communist exploitation of the issue, in SVN as in China), let alone in aid-giving America. Impact would be worsened to the extent that the USG appeared uninformed and passive at the time of major exposure. At worst, this issue could blast us out of SVN and lose the war.

2. These factors raise several questions, discussed in turn:

- a. What are the forms of corruption and participants?
- b. To what extent, and in what ways, does corruption actually help the VC cause and ~~may~~ hurt the GVN cause?
- c. What might be the political impact of exposure of unchecked corruption?
- d. What can the US do to learn more about the problem and to counter or forestall harmful effects?

### 3. Forms of corruption alleged

a. Some relevant distinctions:

1. Small vs. big corruption.
2. "Normal" corruption, "by the book," "traditional," corruption vs. uncontrolled, no-rules, unfamiliar corruption.
3. Direct VC involvement, or not.
4. Locus: hamlet, village, district, province, GVN; division, corps.
- 5.

b. Some forms:

1. Kick-backs to hamlet/village officials for official services: to get complaints handled, forms processed, requests acted upon. ("Small" and traditional, yet possibly one of the most explosive issues until ~~xxxx~~ other forms have eclipsed it recently, because of its widespread incidence and direct impact on the villager).
2. Kickoff from contractors ~~from~~ for construction work; payment for contract, kickback from added charges, payments for alleged work not performed at all. (Biggest form of corruption in many provinces).
3. Budget corruption: padded payrolls for ARVN/RF/PP (another very large source of income; partly achieved by not reporting desertions or transfers); hiding receipts, exaggerating disbursements.
4. "Sale" of office to district chiefs by corps commanders; forced payments to corps commander by district and province chiefs to retain job (chiefs are in turn expected--even encouraged--to acquire wherewithall for payment by other forms of corruption, in particular falsifying budget expenditures).
5. Control of bars, prostitution, and participation in black-market currency operations.
6. Participation in land speculation, based on grants.
7. Smuggling operations--kickbacks, or actual participation--including consumer items from Cambodia and elsewhere, and dope! ~~curren~~  
Sale of USOM-supplied goods, diversion of US funds and of goods supported under CIP.

9. Kickbacks to GVN officials from high transport charges for moving rice to the provinces; for granting permits for sale of rice; for allowing black-market operations in commodities above GVN price ceilings; for dropping prosecutions of merchants caught in ("unauthorized") black-market operations.

10. (Suspected) Official participation in or kickbacks from VC economic operations; including large-scale export-import operations, domestic tax collection, purchase of commodities and arms within SVN.

c. Magnitude. Estimates are spotty and unsupported, but hearsay is relatively precise on some points and some calculations are possible; following allegations suggest possible dimensions:

--One province chief, recently relieved, was believed to have made, by one estimate, a million dollars a month for six months, or by another estimate a million dollars total over the six months, by control of vice, bars, and rakeoff from blackmarket currency.

--The figure commonly quoted for the purchase of a district chieftainship (on credit) from a corps commander is 250-300,000 p's; a similar figure for forced collections periodically to retain jobs.

---A PF gets about 1600 p's a month; 500 non-existent PF's on province payrolls correspond to 800,000 p's a month.

---~~Overcharges~~ Overcharges by a provincial contractor (often a relative of the province chief) can easily amount to hundreds of thousands of piasters a month.

--There is almost no limit to the money that can be made in smuggling, diversion of US-supported commodities, black-market, and cooperation with the VC. An observation frequently made is that "before, under Diem, there was corruption, but it went according to rules, percentages, there were constraints and everyone knew what to expect; now it's everyone for himself, there are no limits, the process is out of control."

#### 4. What does it matter?

The above cataloging of corruption is based on hearsay, allegation, speculation. Before undertaking the painful, risky and difficult task of investigating these patterns in detail, it is necessary to face the question: What difference does this all make, even supposing it to be true?

Obviously, direct dealings with the VC strengthen the Communist effort. But it would be a great mistake to think that only "VC-connected corruption" is dangerous to our cause. A good case can be made that all forms of GVN corruption are vulnerable to VC exploitation, weaken the GVN effort, and pose major risks.

Most dramatically, ongoing widespread corruption, tacitly accepted by the USG, maintains the constant threat of a major "expose" by the US press, widespread revulsion by the US public with the GVN and its cause, and enormous pressure not merely for investigations and personnel changes but for withdrawal of US aid, troops and involvement (along with simultaneous, and possibly ill-timed pressure to go in the opposite direction, to take over the administration of the government). This could happen, for example, next week, or tomorrow. It could happen with great suddenness, without warning; once corruption ~~xxx~~ becomes a major story, newsmen will have no difficulty at all in naming out volumes of allegations, much of it true (and a lot of it, once they get started, probably surprising to the USG).

Action implication: Whatever is done, on a quiet, systematic and ~~long-term~~ basis, to deal with the phenomenon of corruption itself, there should be closely-held contingency planning going on now to prepare for a crisis in public confidence and support triggered by newspaper or Congressional charges or investigations.

However, even without any new, dramatic exposures, the process of corruption involves important costs and risks:

- a. The steady contrast in the mind of the Vietnamese public between the venal GVN and the "incorruptible," dedicated VC--however distorted the image may be--can only be highly damaging to the morale, commitment, and dedication of those who oppose the Communists on other grounds. Some experienced observers believe that the war will never be won in any significant sense so long as this contrast persists.
- b. Some forms of corruption (e.g., sale of GVN services) directly antagonize the peasants; others (e.g., poor construction of buildings, reduced numbers of schools and clinics because of overcharging or total failure to build those paid for) undermine GVN programs to win support.
- c. Army corruption conceals weakness (e.g., padding payrolls) or lowers morale (diverting mess funds; withholding welfare funds; failure to provide adequately for dependants, veterans, wounded).
- d. Attention and energies of officials are preoccupied by managing (and concealing) corrupt operations; activities less susceptible to profit (such as Self-help projects more closely watched by villagers, Americans or GVN) are neglected or totally frozen. Two cynical comments are commonplace: "Province chiefs are too busy making money to have time for anything else"; "If they can't make a buck out of it, they aren't interested in it."
- e. Precisely because corruption on current scales is not "accepted," either by the public or by the officials' own consciences, corruption in any form opens them to blackmail and subversion by the VC. At a low level, cooperation in ordinary smuggling quickly leads to complicity.

in VC flows of goods and arms. On higher and highest levels, opportunities for big profits and threats of exposure can subvert not only key informants but those in command positions.

f. High-level corruption offers itself as a potent and plausible justification for any aspiring coup-maker, feeding further instability.

g. Existence (and suspicion) of corruption in connection with price controls, black market operations and enforcement of regulations channels public resentment against higher prices—even where basically caused by VC interdiction and manipulation, VC taxes, speculative hoarding, and American spending—against GVN officials. (This is a growing and potentially explosive form of resentment against the GVN).

##### 5. The impact of exposure and scandals.

The major effects of exposure have already been mentioned. To list some others:

- a. Exposures of diversion and misuse of US funds and goods could easily result in such tight wraps being put on any expenditures by USOM or ~~thereafter~~ other US agencies as to freeze up all field operations. Any possibility of greater decentralization to province would be dead. US controls and audits might be slammed on so abruptly as to ~~have~~ cause maximum political damage.
- b. Implications of US ignorance, passivity or complicity—and these might be fanned by irresponsible newsmen, by those accused within SVN, by potential coup-makers in SVN, and by opposition spokesmen in Congress and universities—could have major domestic political effects in the US, not limited to SVN policy. Likewise, the almost inevitable charges that the US had misled the US public.
- c. Parallels drawn to experience with the Chinese on mainland China could touch very sensitive nerves in the US, and help to produce a similar paralysis of support.
- d. At the least, relations between the Mission and the GVN would be put under almost intolerable strains. The result could be a paralysis of GVN programs, exploitable by the VC. Meanwhile, there would be greatly-increased apprehension by the VC that the US was about to negotiate or withdraw; with all the panic and paralytic responses caused by that expectation. Commanders and officials at all levels would be uncertain not only of their own jobs but of their superiors', with all the familiar accompanying phenomena. All those whose ambitions to run the government themselves are close to the surface would quickly press their claims, possibly with totally chaotic effect (similar to September 1964). And through all this, the VC would be busy, in the fields and cities.

