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SAIGON SEES NEED FOR MORE U.S. AID

Official Says \$200-Million
Is Required for Economy

By TAKASHI OKA

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SAIGON, June 28—The Government of South Vietnam plans sweeping economic reforms, but requires at least \$200-million in emergency aid from the United States to tide it over a severe inflationary crisis, Economics Minister Pham Kim Ngoc said in an interview here.

Mr. Ngoc spoke before the text of a United States House committee report demanding that South Vietnam devalue its currency and impose wage and price controls became available here, and could not be reached for comment later. But he made it clear that while devaluation was likely, wage and price controls were not.

The United States must choose, Mr. Ngoc said, whether it wants South Vietnam to replace American troops or to replace American resources. "I have made it clear we cannot do both," the minister said in his office in the cramped Economic Affairs Ministry in downtown Saigon.

Mr. Ngoc has the reputation of being a hard-driving, dedicated public servant. He joined President Nguyen Van Thieu's Government last fall, after having served for many years as a bank director.

Saigon's Problem Outlined

South Vietnam has over one million men under arms today, Mr. Ngoc said, no mean achievement for a nation of 17 million people with a per capita income of only \$170 a year at the official exchange rate of 118 piasters to the dollar. South Vietnam could replace and was already replacing American troops, with South Vietnamese, Mr. Ngoc said, but only if it did not at the same time have to replace the financial aid that enabled it to maintain such a large army.

In fact, Mr. Ngoc said, even with generous American aid, the war had imposed such a strain on the economy that additional aid was imperative if South Vietnam was to continue fighting the war and replacing American troops.

"What is the use of giving M-16 rifles to soldiers when they are suffering from malnutrition?" Mr. Ngoc asked. Recently, he said, he had eaten with soldiers of the Seventh Division in the Mekong Delta. He found their daily food allowance was 70 piasters—the price of a cup of coffee in a Saigon restaurant.

The Government had to raise the salaries of soldiers and civil servants by at least 40 per cent if it was to keep its army going, the minister said. That meant an expenditure of 50 million piasters. Even if the piaster were revalued, to perhaps 250 piasters to the dollar, this meant the Government had to look for \$200-million of additional American aid.

Mr. Ngoc said he had not actually asked Washington for this sum.

Reforms Submitted

Mr. Ngoc said the Government had submitted a comprehensive program of economic reforms to the legislature. The lower house has already passed the program, and the Senate is to debate it this week. The laws will give the Government special economic powers for five months, enabling it to devalue the currency, to reform the tax structure, to encourage exports, and it hopes, to stabilize prices.

Devaluation is a matter of political prestige as well as of economics, and in practice the piaster-dollar exchange rate may be fixed in such a manner as to avoid the impression of an outright, across-the-board devaluation. For instance, exporters may be offered premiums and importers required to pay stiff new taxes.

At the same time, Mr. Ngoc said, "I must make the economy grow." Unless production increased to a point where prices could start coming down, imports would have to continue at a high level to stave off runaway inflation.

Controls Opposed

Mr. Ngoc made it clear that he did not favor controls as a means of making the economy grow, and many economic experts tend to agree with him. In an underdeveloped country such as South Vietnam, wage and price controls could so overburden an already overloaded bureaucracy that chaos rather than discipline would result. The profit motive, Mr. Ngoc said, was a better tool than controls as a means of encouraging production.

American and other sources here admit that corruption is a serious problem in South Vietnam. Opponents of the Government accuse it of favoring corruption. But they also agree that South Vietnam's current economic crisis stems not from corruption or inefficiency in general but from the crushing burden of the war itself.

Said one economist, a Vietnamese opposed to President Thieu and his policies: "It is impossible to make war and nourish the people at the same time. If the Americans want the war Vietnamized, they must provide financial aid sufficient to support Vietnam's war effort."