

SECRET

-3- 1216, DECEMBER 24, 6 PM FROM SAIGON

PEOPLE. ALTHOUGH I HAD NOT MENTIONED CORVEE LABOR THIS TIME, DIEM STATED THIS ONLY WAY COLLECT EQUIVALENT OF TAXES FROM PEASANTS AND THAT THIS SYSTEM IS IN VIETNAMESE TRADITION, BUT PEASANTS IN COCHIN-CHINA UNDER FRENCH HAD NOT BEEN ASKED TO CONTRIBUTE LABOR. THEREFORE THEY NOW RESENT CORVEE LABOR AND OF COURSE WOULD NOT THINK OF PAYING ANY MONETARY TAXES. HE POINTED OUT PEASANTS IN CENTRAL VIET-NAM WILLINGLY CONTRIBUTE FREE LABOR INSTEAD OF TAXES. I REMARKED ONE REASON FOR DISCONTENT IN SOUTH IS ARBITRARY ACTION OF OFFICIALS AND THE FAILURE TO EXPLAIN NEEDS TO PEASANTS BEFORE FORCING THEM TO WORK. DIEM INSISTED PEASANTS HAD BEEN TOLD OF NEEDS BUT THEY JUST LAZY.

DIEM THEN STATED WHILE IT MIGHT BE NECESSARY TO FIND WAYS AND MEANS TO RAISE TAXES IN GENERAL, THIS HAD TO BE DONE VERY CAREFULLY IN ORDER TO AVOID A TOO-HIGH RISE IN PRICES WHICH WOULD CAUSE FURTHER DISGRUNTLEMENT. HE ADDED DEVALUATION WOULD HAVE SAME EFFECT AND THEREFORE THIS COULD NOT BE DONE IN HURRY. IN THIS CONNECTION HE AGAIN STATED THAT LAO DEVALUATION BEEN A FAILURE AND WAS ONE OF THE CAUSES FOR THE CURRENT TROUBLES THERE. I REPEATED, AS I HAD SEVERAL TIMES, THAT WE CONSIDERED LAO DEVALUATION AS BENEFICIAL AND SUCCESSFUL.

TOWARD END OF CONVERSATION DIEM REVERTED AGAIN TO USELESS INTELLECTUALS WHO NOW SPREADING REPORTS OF ANOTHER COUP ON CHRISTMAS OR ON JANUARY 20th.

ON FEW OCCASIONS HE LET ME TALK, I URGED HE ADOPT REFORMS SOONEST SINCE IT ESSENTIAL TO WIN FURTHER SUPPORT OF THE PEOPLE IF VIET CONG MENACE IS TO BE OVERCOME, BUT HE GAVE ME NO INDICATION OF REFORMS HE MAY ADOPT. BEFORE LEAVING I AGAIN EXPRESSED HOPE THAT HE WOULD ACCEPT OUR SUGGESTION THAT HE ANNOUNCE ALL LIBERALIZING PROGRAMS AT ONE TIME IN ORDER TO MAKE BEST IMPACT. DIEM REPLIED HE WOULD THINK ABOUT THIS BUT MADE NO COMMITMENT.

COMMENTS. WE HAVE HEARD THAT NHU, THUAN AND OTHERS HAVE BEEN RUNNING INTO RESISTANCE WHEN URGING DIEM TO ADOPT WORTHWHILE

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