

Saigon Defense Head Resigns in Wake of Fund Scandal

By Peter Osros

SAIGON, (WP).—Saigon's minister of defense, Nguyen Van Vy, has submitted his resignation and five of his top aides have been fired in a scandal involving the possible misuse of millions of dollars in a servicemen's fund. The five officials, four colonels

and one civilian, were the administrators of the mutual aid and savings fund for soldiers which takes small but involuntary allotment from each soldier's paycheck.

The fund, established after the Tet offensive in 1968, has a value approaching \$10 million.

Mr. Vy, however, has not been accused of any wrongdoing, but informed Vietnamese sources said, he offered his resignation to President Nguyen Van Thieu at a meeting today after learning that his subordinates had been fired. It was not clear whether the resignation will be accepted.

Specific charges against the five Defense Ministry officials have not yet been lodged, but they have been subjected recently to bitter criticism in the local press, including an official army newspaper, for their handling of the fund.

Ostensibly, the mutual aid and savings fund for soldiers is intended to benefit the lowly paid soldiers by putting their money to work in businesses and a bank controlled by the army as well as investing in private business and financial institutions.

The fund has established a Bank of Industry and Commerce which is to be housed in an impressive skyscraper now under construction in downtown Saigon and has invested in, among other things, a construction company and a canning firm.

In addition, the investments are supposed to stimulate sluggish Vietnamese industry and eventually provide the jobs that will be necessary when the war ends and hundreds of thousands of men are demobilized.

No Benefits Yet

Thus far, however, the soldiers complain they have not benefited from the fund, although some money—it is not known exactly how much—has been distributed to orphans, widows and severely disabled soldiers.

For the most part, the soldiers asserted through the press, their monthly contributions have been used to bring profits to a small number of people, people who manage the investments, rather than to the people at large.

The soldiers claim that although they provide the money they have no say in how it is being used.

For example, they say they are not getting the best interest available from the banks. Last year interest for the soldiers was 10 percent, compared to the 20 percent offered depositors at commercial banks.

Even this money is not available to the soldiers until they are released from the army and, so long as the fighting goes on, few of them will be unless they are badly wounded.

In Testimony to Senators *Donald Rusk*

Thieu and Ky Accused in U.S. Of Heading Heroin Operation

WASHINGTON, June 2 (AP).—South Vietnam's president, former vice-president, and premier operate organizations that divide control of their country's opium and heroin trade, a narcotics researcher charged in Senate testimony today.

The witness, Alfred W. McCoy, said the South Vietnam narcotics ring had links with gangsters in Corsica and in Florida and with scores of high-ranking military officers in South Vietnam, Laos, Cambodia and Thailand.

Mr. McCoy, a doctoral candidate in Southeast Asian history at Yale University, testified before the Senate Appropriations Committee's subcommittee on foreign operations. He said he had spent 18 months interviewing officials in the United States, Indochina and Europe.

Mr. McCoy accused U.S. officials of condoning and even cooperating with corrupt elements in Southeast Asia's drug trade because of political and military considerations.

Heroin for GIs

He also said that military and civilian officials in South Vietnam and other Indochinese countries had been involved directly in distributing heroin to GIs fighting in Vietnam and to addicts in the United States.

These were his major charges:

- Heroin and opium traffic in South Vietnam is divided among the political organizations of President Nguyen Van Thieu, former Vice-President Nguyen Cao Ky and Premier Tran Van Khiem.

- Gen. Ky's sister, Mrs. Nguyen Thi Ly, travels about once a month to Vientiane, the capital of Laos, to arrange for the shipment of packaged heroin to Cambodia.

- The heroin is then picked up by transport aircraft belonging to the South Vietnamese Fifth Air Division and flown to Saigon.

- Until recently, Mrs. Ky's prime supplier was an "overseas Chinese racketeer" named Huu Tim Heng, who used his position as the silent partner in the Vientiane Pepsi Cola bottling plant to import a chemical necessary for the manufacture of heroin.

- Heng bought raw opium and morphine from Gen. Ouane Rattikone, former chief of staff of the Laotian Army.

- Gen. Rattikone admitted that he had controlled opium traffic in northwestern Laos since 1962 and controlled that country's largest heroin laboratory, which produces a high-grade drug for the GI market in South Vietnam.

- Most of the opium traffic in northeastern Laos is controlled by Gen. Vang Pao, commander of the Central Intelligence Agency's army of tribesmen.

- The Thai government allows Burmese rebels, Chinese Nationalist irregulars and mercenary armies to move "enormous mule

stantial military support for mercenaries, right-wing rebel and warlords who are actively engaged in the narcotic traffic. In Thailand, the CIA has worked closely with Nationalist Chinese paramilitary units which manufacture high grade heroin for export to the American market."

- That Santo Trafficante from whom Mr. McCoy called the heat to a Florida-based international crime syndicate, traveled to Saigon in 1968, met prominent members of Saigon's Corsican criminal syndicates and arranged increased imports of Asian heroin to the United States.

'Biggest Pusher' Charge

Mr. McCoy said he has confirmed independently an accusation by the National Broadcasting Co. that Gen. Dang Van Quang, a military adviser to President Thieu, is the "biggest pusher" of narcotics in South Vietnam. He also said U.S. officials had identified Gen. Ngo Dzu as a major drug trafficker in central Vietnam.

Mr. McCoy accused U.S. embassies in Indochina of having tried repeatedly to cover up the involvement of local officials in the drug traffic.

He said his findings would be published later this year in a book titled "The Politics of Heroin in Southeast Asia."

In Saigon, Mr. Thieu and Mr. Ky were not immediately available for comment. Both have denied similar charges before.

At the State Department, a spokesman said: "We are aware of these charges, but we have been unable to find any evidence to substantiate them, much less proof."

He said the department has not read the transcript yet but he declared that the United States has been cooperating with Southeast Asian governments in an attempt "to stem the flow of narcotics."

caravans loaded with hundreds of tons of Burmese opium across Thailand's northern border."

- "Some of President Thieu's closest supporters inside the Vietnamese Army control the distribution and sale of heroin to American GIs fighting in Indochina."

- "The CIA has provided sub-

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