

Fatal Symptoms

How Opium Related Corruption Fueled Instability in the Government of the Republic of Vietnam

Grant Monson Burton

Abstract

Various governing authorities in Southeast Asia have historically used the opium trade to generate extra revenue. The British and French colonial governments, in particular, promoted opium cultivation and distribution in many of the ethnic communities of Southeast Asia. The trade was burdensome to local peasants and tended to associate colonial governments with opium corruption. When French control in the region began to break down around 1945, the opium trade network connecting local poppy farmers, local government officials, and French officials allowed corruption to develop in and around what became, after 1954, the government of the Republic of Vietnam. Alliances with anti-communist locals who promoted the opium trade were useful at fighting off guerrillas, yet alienated local populations from their ruling class. When the United States took up the patronage of South Vietnam from the French, many Americans were determined to take a different approach and to suppress the opium trade. Despite this, and multiple attempts to solve the opium problem in South Vietnam, the drug trade flourished. The highest levels of the government of Vietnam remained implicated in the opium-related corruption. This climaxed with the GI heroin epidemic in Vietnam during the later years of the U.S. war effort. The culmination of the drug problem was the result of embracing a corrupt government and was a major factor in the eventual collapse of the South Vietnamese government.



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Various governing authorities in Southeast Asia have historically used the opium trade to generate extra revenue. The British and French colonial governments, in particular, promoted opium cultivation and distribution in many of the ethnic communities of Southeast Asia. The trade was burdensome to local peasants and tended to associate colonial governments with opium corruption. When French control in the region began to break down around 1945, the opium trade network connecting local poppy farmers, local government officials, and French officials allowed corruption to develop in and around what became, after 1954, the government of the Republic of Vietnam. Alliances with anti-communist locals who promoted the opium trade were useful at fighting off guerrillas, yet alienated local populations from their ruling class. When the United States took up the patronage of South Vietnam from the French, many Americans were determined to take a different approach and to suppress the opium trade. Despite this, and multiple attempts to solve the opium problem in South Vietnam, the drug trade flourished. The highest levels of the government of Vietnam remained implicated in the opium-related corruption. This climaxed with the GI heroin epidemic in Vietnam during the later years of the U.S. war effort. The culmination of the drug problem was the result of embracing a corrupt government and was a major factor in the eventual collapse of the South Vietnamese government.

By the end of French involvement in Vietnam, the government in South Vietnam was waist deep in opium Corruption. Saigon, the capital city of the Bao Dai government, is a great example of how deep this corruption ran. Saigon was a hot spot for various political parties wrestling for control. One of these parties that originally aligned with the communist Vietminh was the Binh Xuyen. After the ascension of Bay Vien to the head of leadership, he led the Binh Xuyen to align with the French. The French made an agreement with the Binh Xuyen in 1948 to expel other guerrilla fighters from Saigon. Although successful, as the Binh Xuyen established power, they did not hand over their newly established territory to the French. The Binh Xuyen refused to lay down their weapons and continued their patrols of the city. Left with few options, the French gradually granted policing power to the Binh Xuyen of the entire capital region. To collect revenue, the Binh Xuyen used protection money, gambling, prostitution, and narcotics¹. By the end of the war, the Binh Xuyen not only rivaled Bao Dai's administration, but openly and

¹Alfred W. McCoy, *Politics of Heroin in Southeast Asia* (Harper and Row Publishers, New York, 1972), 117.

belligerently displayed their power with their Soldiers in green berets on patrol throughout the city. At the very least, the Binh Xuyen's presence threatened the basic sovereignty of the French government in Vietnam. In addition, the Binh Xuyen proved that the opium trade was a way one could maintain power in Saigon among other forms of vice. This also created an atmosphere in Saigon of men being attracted to parties by the money and power they maintained rather than the political philosophies and standards they uphold. The result was an extremely unstable seat of government in Saigon, secured in part by the opium trade.

After the French defeat at Dien Bien Phu, American responsibility in Vietnam was taken to a new level. Throughout the French Indochina war, France put pressure on America for aid. This continued to the point that the United States was paying for 80 percent of French expenditures in Vietnam.² The French also endorsed and raised funds through a clandestine network of transporting opium from Meo tribesmen in Laos, Burma, and Thailand, to markets at city centers to be distributed by groups such as the Binh Xuyen.³ At the end of the French Indochina war, Edward G. Lansdale was sent by Washington to Vietnam to help consolidate power under the Bao Dai government's Prime Minister Ngo Dinh Diem. After surveying the French system, Lansdale was very upset by the opium traffic that was being run and supported by the French. Outraged, Lansdale told Washington that it should be investigated. In an interview cited in Alfred W. McCoy's book, *The Politics of Heroin in Southeast Asia*, Lansdale recalls the response being:

*"Don't you have anything else to do? We don't want you to open up this keg of worms since it will be a major embarrassment to a friendly government. So drop your investigation."*⁴

Although Lansdale's request was denied, he began taking over the military situation from the French. To restore order in Saigon, Lansdale began the process of eliminating political competition to the Bao Dai government. To do this, Lansdale advised Ngo Dinh Diem's troops in fighting the Binh Xuyen block by block to retake the city. Eventually successful, Ngo Dinh Diem began molding the government around his central control with family members in positions of power in the government.

² Stanley Karnow, *Vietnam: A History* (Penguin Books, New York 1983), 184.

³ McCoy, *Politics of Heroin in Southeast Asia*, 84.

⁴ *Ibid.*, 102.

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With the election of Ngo Dinh Diem to the presidency, he outlawed opium and began to eliminate the opium dens in Saigon. However, like the French Administration before, the administration's authority began to erode away; meanwhile, communist guerrillas grew more numerous in South Vietnam. In order to raise funds, Diem turned to his brother and close adviser Ngo Dinh Nhu. Nhu was in a position to be a power broker as the head of the secret police, and quickly revived the French opium trade system. Nhu used international Corsican crime syndicates' airlines to transport the opium from tribesmen in Laos from 1958 to 1960. In the later Diem years, Nhu organized a more reliable Vietnamese First Transport Group to transport the opium. The future Premier of the Government of Vietnam, Nguyen Cao Ky, ran the First Transport Group and would find the connections and command structure useful when Diem and Nhu were taken out of the political picture⁵. Even if Ky wasn't involved, which is very doubtful during the Diem years, the transportation group began a tradition of Vietnamese flying the opium to Saigon that had been traditionally done by French special operation airlines or Corsican crime syndicates. Nhu used his connection to Chinese crime syndicates in Saigon's sister city Cholon for distribution. As a result, the Chinese reopened hundreds of opium dens to tap into the local addicts⁶. The system was efficient and it associated the stench of colonial opium corruption with the American backed regime, further alienating the population from the regime. Although the opium corruption was only part of a larger picture of animosity against the Diem regime, it happened to be the part that kept his regime very profitable to insiders. When general discontent to the Diem regime's policies culminated among Vietnamese generals and US government officials, the eventual result was Diem's and Nhu's assassination on November, 2, 1963. In the aftermath of this escapade, American officials scavenged the wreckage of the Government of Vietnam for someone who could deliver democracy to Vietnam.

After the assassination of Ngo Dinh Diem and his brother, American officials desperately went through several different individuals in the government of Vietnam to find someone who could maintain power. After a series of coups to gain political power, American officials found General Khanh. Khanh had perfected the art of overthrowing power but had never learned how to maintain it. During his reign of power the government was subject to many coups which brought Nguyen Cao Ky

⁵ McCoy, *Politics of Heroin in Southeast Asia*, 153.

⁶ *Ibid.*, 160.

and Nguyen Van Thieu's combined ability to maintain power to American official attention. Ky, formerly air force commander under Diem, used his air force to help or hinder troop movements during coups. Thieu's support on the other hand was mainly in the Army and Navy⁷. As Johnson's administration ran out of options they finally settled on the decision to make Ky Prime Minister and Thieu Chief of State.

The Johnson's administration saw this political scene in Vietnam as their last choice. Stanley Karnow notes in his book, *Vietnam, A History*, that a Johnson advisor, William Bundy, saw Ky and Thieu as "the bottom of the barrel, absolutely the bottom of the barrel"⁸. Ky in particular already had a history of association with the drug trade. The CIA had to remove him from a secret operation flying Vietnamese agents into North Vietnam because he was "taking advantage of the situation" to transport opium⁹. In addition, The U.S. embassy flatly rejected any accusations of Ky's involvement, which kept Ky's record clean on the surface; that is until the CIA's decision was brought to the press's attention in 1968. Desperate for a non-communist individual who could maintain power, the Johnson administration reluctantly turned to Ky.

After being appointed Prime Minister, Ky began the process of creating support within his government. Ky already had the air force at his disposal; however, in order to maintain control of the capital he needed to establish a secret police like Ngo Dinh Nhu. Ky appointed Nguyen Ngoc Loan to the head of the military security service which was supposed to fight corruption within the government. Loan used this to secure positions for a secret police agency that would support Ky. He then appointed Loan the director of the South Vietnamese equivalent of the CIA and the head of the National Police without asking him to abdicate his other positions. Even when Loan did abdicate all positions, with the exception of the head of the National police, the rest of the positions were given away to successors he personally chose. An embassy official at Saigon cited in Alfred W. McCoy's book, *The Politics of Heroin in Southeast Asia*, watched Loan's system in action. The official claimed Loan had organized four different types of graft: the sale of government jobs by generals, bribery within the administration, military theft, and the opium traffic. Like the French who found the extra revenue useful in fighting communist guerrillas, Loan was able to significantly reduce the terrorist

⁷ Ibid., 216.

⁸ Karnow, *Vietnam: A History*, 401.

⁹ "C.I.A. once ousted Ky, Report says" *New York Times*, 18 April 1968.

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attacks within Saigon. One security operation Loan was in charge of was airport customs¹⁰. This gave Ky the ability to open the airports of Saigon to smuggling. Ky had successfully managed to create a new opium trade off of the same basic structure Nhu had run; however, he too would fall victim to the rival factions within the Government of Vietnam.

When combating the emerging drug problem, the US military turned to disciplining their own troops rather than confronting corrupt South Vietnamese officials. One of the first steps the Army took to convict soldiers for drug crimes was a crime laboratory at Long Binh for urine analysis. Initially, all branches of US military services used it to get convictions on soldiers and issue immediate dishonorable discharges. As the problem began to affect more soldiers, many of the branches began amnesty programs in an attempt to treat soldier addiction; however, the marines kept immediate removal as the sole recourse to fighting the problem¹¹. Although the US military improvised its tactics against the drug problem, solutions were mainly geared towards American servicemen rather than corrupt Vietnamese officials.

As the US military courts began to fill with cases pertaining to drugs, the government of Vietnam's courts rarely dealt with the problem. Vietnamese police were very unreliable, and made it difficult for the military to convict Vietnamese guilty of opium trafficking. At the very least a blurred understanding existed in what the US and the Government of Vietnam felt was prosecuting illegal drugs in the country¹². This suggests that American officials had major obstacles to overcome in order to confront the South Vietnamese government's involvement in the trade, especially in the face of such obvious problems in legal prosecution.

Major changes in the dynamics of the war gave Thieu his chance to wrestle Ky for political power. Although Ky had formed a powerful system of support, his corrupt police force was something Thieu could point to when struggling for political power. He used this to convince other Vietnamese generals of his sovereignty over Ky in the upcoming elections in 1967. Even though Ky was demoted to vice president, he maintained his connection to Loan and his police apparatus. As a result, Thieu and Ky found themselves competing with each other in “an

¹⁰ McCoy, *The politics of Heroin in Southeast Asia*, 167.

¹¹ Solis, 104.

¹² William Thomas Alison, *Military Justice in Vietnam: The Rule of Law in an American War* (University Press of Kansas 2007), 124-125.

underground battle for lucrative administrative positions and key police-intelligence posts.”¹³ The Tet offensive of 1968 decimated much of Ky’s political machine, largely from the intensive fighting in Saigon. Among the casualties were many of Ky loyalists including Gen. Loan, who was hospitalized and had to relinquish his position. However, the power shift was not as simple as discrediting Ky politically and removing his key henchmen.

To complete Thieu’s takeover, he needed to remove Ky’s remaining support to disrupt his revenue from the opium trade. One mysterious incident during Tet was reported in a *New York Times* article on June 3, 1968. A US helicopter was used to gun down seven high ranking pro-Ky officials. To complicate matters, the U.S felt it was only a “strong probability” rather than a confirmation that the attack came from an American helicopter. The U.S embassy refused to make a confirmation or a denial of the use of a U.S helicopter. Among the dead pro-Ky officials were: the police chief of Saigon, Lieut. Col. Nguyen Van Luan; the police chief of Cholon, Col. Le Ngoc Tru; Ky’s brother in law, Lieut. Col. Pho Quoc Chu; the mayor of Saigon, Major Le Ngoc Tru; and Chief of staff of the National police, Col. Tran Van Phan.¹⁴ To make matters worse, Ky depended on his opium revenue in order to maintain a large voice in the government of Vietnam’s lower house through buying off a majority of supporters. Once his system was dismantled, Ky had no way to maintain his support. Alfred W. McCoy claims that at the very least Ky was spending 15,000-20,000 dollars a month to keep his supporters on the payroll.¹⁵ With Ky out of the way, Thieu was able to begin the process of taking the opium business over.

To replace Ky’s apparatus Thieu turned to his most loyal Generals. With Gen. Quang’s influence in the army and navy Thieu could create his own system for transporting and distributing heroin. Other key pro Thieu officials were Gen Lu Lan and Gen. Ngo Dzu.¹⁶ In compiling a 1971 congressional report Rep. Steele accused Maj. Gen. Ngo Dzu as one of the chief heroin traffickers in South Vietnam.¹⁷ Although a *New York*

¹³ McCoy, *Politics of Heroin* 218-219.

¹⁴ Gene Roberts, “Saigon explosion kills 7 officials” *New York Times*, June, 3, 1968

¹⁵ McCoy, *Politics of Heroin in Southeast Asia*, 180.

¹⁶ The South Vietnam Political Scene, 1968 (Folder 01, Box 16, Douglas Pike Collection: Unit 06 - Democratic Republic of Vietnam, The Vietnam Center and Archive, Texas Tech University). Accessed 24 April 2012.

¹⁷ U.S. Congress, Report of Special Study Mission Composed by Rep. Morgan F. Murphy, Illinois, Chairman, and Robert H. Steele, Connecticut, *Pursuant to H. Res. 109 Authorizing*

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Times article from July, 9, 1971 discussed this stopping short at an accusation, a 1973 congressional report claims Maj. Gen Ngo Dzu's had a definite association in the opium trade.¹⁸ Furthermore, the U.S. Army's criminal investigation division filed two reports against Dzu and one against his father.¹⁹ Although the 1973 report from Washington only confirms the allegation of his father's involvement, the evidence of Dzu's trade was prevalent. ARVN generals operated most of the distribution with the exception of the Chinese they hired out in Cholon and Saigon. The opium problem was especially bad in peripheral areas controlled by Pro- Thieu generals, of which Dzu was one.

In some cases, heroin abuse among US troops was so severe that it threatened military operations. One large air base under Maj. Gen. Ngo Dzu command was Pleiku. In late 1970, the air base in Pleiku sent many of its security detachments to Cam Ranh Bay. Many of the soldiers had picked up a heavy heroin addiction in Pleiku and it began to show. Before 1970, drugs had been a minor problem at Cam Ranh Bay, but by December of 1970, heroin addicts made up a large portion of the population creating a very dangerous situation for the U.S. military to comprehend. In February 1971 the military identified 87 airmen involved in the traffic and use of the drug; the only problem was who would be left to defend the base when they were arrested. In fact, many were routed back to the United States leaving only 47 suspects by the time the staff judge advocate, Maj. Harold Teeter, pressed charges. Only having room for 12 in the stockades, Teeter released 25 to bring the number down. Just as the 25 were released, the Viet Cong attacked the military base, and the 25 men took up arms immediately. Although the released soldiers did their military duty, Teeter worried about the weapons turning on him. This is a great example of how heroin exposure to American G.I's in a pro-Thieu area could greatly endanger US military operations.²⁰ By 1970, Thieu had established another opium network; meanwhile, the US military continued to have a difficult time getting control of the G.I. heroin epidemic.

the Committee on Foreign Affairs to Conduct Thorough Studies and Investigations of All Matters
Washington, DC: GPO 22 June 1971.

¹⁸ Craig R. Whitney "General Bids Thieu Protest Drug Charge: Accused General Urges Thieu to Protest Heroin Allegation" *New York Times* 9 July 1971.

¹⁹ McCoy, *Politics of Heroin in Southeast Asia*, 414.

²⁰ Allison, 137.

US pressure in South Vietnam, for a heightened effort against the opium problem, made minor progress and remained frustrated by working with the very government causing the problem. In correspondence to the growing media coverage of the G.I. heroin epidemic in Vietnam, Nixon's administration began to put pressure on Thieu.²¹ In response, Thieu created a special committee for the eradication of drugs and smuggling, and a Joint Anti-Narcotics campaign. Although the Government of Vietnam could claim to have locked up some peddlers they had not gone after any large distributors, which was one thing the ambassador heavily emphasized to Thieu. Thieu began a crackdown on smuggling which caught several members in the lower house of South Vietnam. A *New York Times* article from August, 11, 1971 discussed Thieu proposing a bill that would make narcotic dealing a wartime crime, punishable by death.²² Another article also from the *New York Times*, dated May, 27, 1971, explained that pharmacies were closed to GI's in an effort to cut off some access. In public, Thieu flexed his guns to fight the problem, but in the prosecution many members of the Vietnamese lower house that were guilty of smuggling drugs, would be acquitted or let off with fairly light charges.

The pathetic prosecution of the opium problem sheds more light on the implication of Thieu and other high officials within the Vietnamese government. With few serious charges brought against any big smugglers, the Government of Vietnam pointed to the excess of airfields in Vietnam as an excuse for not achieving substantial progress fighting the opium problem. One theory proposed by Alfred W. McCoy is that the US mission cannot find any evidence pertaining to the trade because it studiously avoids looking for any. According to one US embassy official mentioned in McCoy's book, it is "an unwritten rule among Embassy officials that nobody can mention the names of high-ranking Vietnamese during discussions of the heroin traffic."²³ To confront the failed results of the war against opium in Southeast Asia, Nixon claimed success in his campaign on drugs in Southeast Asia and, in effect, turned the issue into another aspect of political debate between himself and his rival McGovern in the upcoming 1972 elections. This left the outstanding problem of opium corruption to fester in political debate, and continue to

²¹ Dana Adams Schmidt "Addiction in Vietnam Spurs Nixon and Congress to take Drastic New Steps" *New York Times* 16 June 1971.

²² Henry, Kawn "Thieu Asks For Death For Narcotics Dealers" *New York Times* 11 August, 1971.

²³ McCoy, *Politics of Heroin in Southeast Asia*, 43.

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be a factor in alienating the majority of the population from its ruling government in South Vietnam.

Counter measures taken by Nixon to fight the heroin epidemic also served to further disillusion the American public with the regime that the policy makers had embraced. In the face of a regime that seemed to be hopelessly wading in the opium problem, American faith in the Government of Vietnam began to plummet. Since most measures were directed at GPs rather than the large opium suppliers in Vietnam, the American public began to get a skewed view of what was happening in Vietnam. Since there was no “smoking gun” to connect high Vietnamese officials to the drug trade (at least that US officials would acknowledge), many journalists turned to the measures taken against guilty GI’s who were clearly involved. This biased perception of the war was a bitter pill for the American public to take.

With media coverage focusing on combat soldiers, some began to feel soldiers were labeled inherent drug addicts. This added to the already dismal state of soldier morale in Vietnam and worried parents who thought their son was going to Vietnam to become a drug addict rather than a soldier.²⁴ Kuzmarov in his article, “From Counter Insurgency to Narco Insurgency,” elaborates further on the issue. He argues that through Nixon’s public campaigning and actions against the opium trade in Vietnam, Nixon created a substantial perception of success to the degree that he could defend his actions to the American public as making real progress when, in reality he was not fighting the problem at its source. Although drugs were not the only thing that upset the American public about the Government of Vietnam, the publication of the drug problem and the stagnation of progress in solving the problem definitely played a role in paving America’s retreat out of Vietnam.

²⁴ Robert Reinhold “Army’s Drug-Testing Program Stirs Sharp Dispute” *New York Times*, 2 June 1972.

Without direct military support from the United States and monetary incentives in the opium trade, the Government of Vietnam could not have lasted as long as it did. Even with the known corruption within the French-Vietnamese government, American advisers could not find an acceptable anti-communist government without at least some key members from the French administration. When left to their own devices, the new administrations revived and improved the old ways of the opium trade to maintain power, create extra revenue, and fight insurgent guerrillas. When the opium trade became too obvious to hide, American policy makers rushed to remedy it. However, reactions to the problem only showed the impossibility of reform without seriously hurting the image of the government that America had fought on behalf for so long. Once opium corruption was added to the long list of stagnating problems in Vietnam, the situation began to take a very ugly shape. When the fatal symptoms of embracing a corrupt government came to the surface, the reality of how helpless American policy makers were to remedy these symptoms with cold war ideology became evident.

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