

Vietnamese Generals Suspected in Brass Smuggling Scandal

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SAIGON—South Vietnamese officials are sitting on top of a potentially explosive multimillion dollar scandal involving the smuggling of scrap brass by a syndicate believed to include many ranking generals.

U.S. officials are concerned that the affair will affect U.S. aid to South Vietnam and the future of the country's economy.

An important Japanese businessman, two Americans and a Vietnamese have already been arrested and imprisoned. Two other Japanese were imprisoned and later released. Two people holding French passports have disappeared.

South Vietnamese generals are said to have illegally stored millions of used brass shell casings in military compounds around the country while waiting for opportunities to export them. An attempt to smuggle \$17.3 million worth of scrap brass was recently uncovered; many officials believed that represents only a fraction of the brass to which the organization has access. Some contend that the value of the brass is in the hundreds of millions of dollars.

A Vietnamese judicial official said that the syndicate extends to the office of Prime Minister Tran Thien Khiem, and that Nguyen Tan Doi, a wealthy Saigon banker who was mysteriously arrested and imprisoned April 26, also was involved.

There appears to be conflict at the highest level of the South Vietnamese government. President Nguyen Van Thieu, who is not linked to the syndicate, is believed to have angrily cracked down on Doi after hearing of the smuggling attempts—at the same time he was trying to prevent the affair from becoming public knowledge.

The implications of the organization's existence and its control over scrap brass are vast.

Last December, without fanfare, the United States, which was the legal owner of all military scrap metals, agreed to turn over title to the scrap to the South Vietnamese government as supplemental military assistance. This deal, which has been previously unreported, at the very least will provide a modest boost to the declining South Vietnamese economy in the form of \$10 million worth of scrap iron and steel already accessible to authorities.

But authorities have been able to collect practically none of the far more valuable brass, which would provide a great lift to the economy. By holding on to the brass, the generals seem to be trying to assure their own private fortunes while jeopardizing the future of their government.

Among the men arrested in the case are Tokuji Ishimura, manager of the Saigon branch of the giant Japanese trading company, Mitsubishi; Atsushi Sekizasa, another employee in Mitsubishi's Saigon branch; and Sigesato Hosoki, Japanese officer of the Saigon branch of the Chase Manhattan Bank. Before his arrest Ishimura also was chairman of the Assn. of Japanese Residents in Vietnam.

Ishimura has been in Chi Hoa Prison in Saigon since his arrest April 2. Sekizawa and Hosoki were imprisoned for a month and released on condition they would not leave South Vietnam.

All three Japanese became involved in the case unwittingly and innocently, informed sources said. They apparently were arrested in an attempt to find out who was involved in the smuggling operation. Now Vietnamese officials may fear that if they release Ishimura, one of the Japanese will disclose details of the case damaging to the government.

The Japanese Embassy has refused comment on the case and has even tried to discourage interest in the story among journalists. A Japanese Embassy spokesman said he could not comment because Ishimura's "personal security" was involved.

A spokesman for the South Vietnamese government also declined comment. Vietnamese newspapers covered Ishimura's arrest but did not follow it up, and few Vietnamese are aware of the case or its implications.

Closer to the center of the affair are two Americans, Russel M. Smith, 51, who has been in prison since March 9, and Thomas Dunmore, 30, who was imprisoned with Smith, released and imprisoned again May 2.

Smith is thought to be the instrument used by the syndicate to obtain necessary shipping documents in return for a cash payment. Dunmore's role is less clear, but he apparently was involved in smuggling items such as generators, tractors and other heavy equipment.

Dunmore also is accused of having illegally held three checks worth \$34,000. These were believed possibly to have been payoffs for forgeries, and were signed by a Frenchman who has since disappeared.

Brass has been collecting in Vietnam since the beginning of the war. Until about four years ago, it was the main alloy in artillery casings. Since then, U.S. munitions manufacturers have used iron for heavy artillery shells, but small arms ammunition and light artillery shells are still made with brass. Scrap brass is now thought to be stored in warehouses in Vietnamese military compounds and even buried.

Scrap brass is in demand throughout the world. It now sells on the international market for \$1,080 a ton, compared to \$50 or \$60 a ton for scrap steel and iron.

“If scrap brass gets out of Vietnam, it’s going to be sold,” said one scrap expert. “I don’t think anyone would ask any questions. It’s like gold.”

The problem of those who had access to the scrap brass was how to get it out of the country and resold. The only legal possessor of brass until December, 1972, was the U.S. government; then in accordance with the agreement, title was transferred to the South Vietnamese government. Since issuance of a South Vietnamese government decree on December 12, 1970, it has been illegal for individuals in Vietnam to possess or transport scrap brass.

Syndicate operators apparently recently developed at least two methods to smuggle out the scrap brass, both centering on the U.S. Army Property Disposal Agency (PDA), which was the only authorized body handling scrap metal.

Since the ceasefire, the agency became known as the property disposal branch of the U.S. Embassy’s defense attache’s office. Since title to scrap metal had been transferred to the South Vietnamese government, the agency’s mission has been to locate and designate scrap to be turned over. At the end of this month the property disposal branch will stop handling scrap metal.

To authorize domestic transport and export of scrap metal, the PDA customarily issued something called a Transportation Control Moment Document (TCMD). A TCMD enabled an exporter to show military scrap metal out of the country without paying an export tax. This made sense, since the metal had always belonged to the United States, and therefore technically had not been imported to South Vietnam.

As a PDA employee since February, 1972, Smith was one of about 10 men authorized to sign TCMDs. He is now charged by South Vietnamese authorities with illegally signing TCMDs that authorized exportation of scrap brass. It is believed that Smith was contacted by someone connected with the syndicate, but Smith has so far remained silent in prison.

Some of the TCMDs Smith is said to have illegally signed were dated before his job at the property disposal branch was terminated last February; he filled out others even after he was dismissed. Smith lost his job in the routine reduction of the property disposal branch’s staff.

Sources said the false TCMDs were discovered when a Singapore businessman appeared in Saigon with one; he had come to ask authorities if it was genuine. At that point Smith came under suspicion. His house was searched March 9, and more false documents were found. Smith and Dunmore, who lived in the same house, were arrested.

Four of the TCMDs which Smith had signed authorized exportation of 16,000 tons of scrap brass, worth \$17,280,000 on the international market, sources said. A man identified as Mr. Phuong, a Chinese with Vietnamese citizenship who was listed on one TCMD as the agent of the buyer, is believed to be the link to the syndicate.

Phuong was arrested in mid-March, and also has remained silent in prison. The fact that police have not physically forced him to talk is taken as an indication that he is protected by highly placed officials.

According to informed sources, Ishimura was contacted about a brass deal in Hong Kong in March, and was shown a copy of one of the other TCMDs. Ishimura was interested in buying brass but wanted to make sure the deal was legal. He returned to Saigon, and through his intermediaries, Hosoki and Sekizawa, asked authorities if the TCMD was bona fide.

Vietnamese officials reacted by imprisoning the three Japanese. Police may be holding Ishimura until the man who gave him the TCMD in Hong Kong is found. But it is unlikely that the man will be located, since he is believed to be a Vietnamese with a French passport now outside Vietnam.

When the TCMD was blocked, syndicate operators apparently devised another plan to smuggle out the brass.

Early this month they applied to the South Vietnamese director of foreign trade for a regular exportation license. Included was a letter from Emil D. Sasse, head of the property disposal branch, approving the license. The forgery was discovered.

The application requested a license to export 4,550 tons of copper wire. It is possible to transform scrap brass into wire, and it is theorized that syndicate operators did this to obscure the metal's origin.

It is reported that Nguyen Tan Doi, who was the owner of South Vietnam's largest bank and was one of the wealthiest men in the country, had a factory where such wire could be made from scrap brass. Doi is suspected also of having been a banker for the syndicate; records seized by police when Doi was arrested and his bank closed down April 26 included many anonymous accounts that may have been for generals.

Doi was known to be a friend of many generals as well as Prime Minister Khiem. It is speculated that the office of the prime minister, Doi and the generals involved were operating without the knowledge of President Thieu and Thieu's economic advisers. The position of prime minister entails the actual carrying out of many of the day-to-day activities of the South Vietnamese government. Some of these could have been concealed from Thieu.

It is possible that Thieu was informed of the presence of so much brass in Vietnam and the significance of the agreement on military scrap during his trip to the United States in early April. Then, according to the theory, when he returned to Vietnam, he discovered what happened to the brass.

Twelve days later he angrily cracked down on Doi and ordered Doi's bank closed, despite the inconveniences to the bank's 200,000 depositors. He also seems to have tried to keep the scrap

affair hidden. Officials announce that Doi's arrest was for banking malpractices. The prime minister's office and the generals may have escaped punishment because they held too much power.

Officials think a huge amount of brass already has been smuggled out of Vietnam, and that even now smuggling continues. One ship was said to have steamed into Hong Kong last week with 360 tons of scrap brass from Da Nang. False customs declarations in Da Nang allegedly said scrap lead and aluminum were being exported.

Ships laden with scrap brass have been discovered before. In 1970, for example, a ship called the Dong Nai was found in the port of Saigon about to sail for Singapore with brass buried in its cargo. Several government officials were fired, but trials are still pending, and the affair is all but forgotten. Syndicate members may be hoping that the new case also will fade away. Despite all the recent arrests, no trial dates have been set.

One reason why generals are suspected of involvement in the syndicate is that they control military compounds, which are the logical and safest places to hide scrap brass. The syndicate may be loosely organized, with generals cooperating with each other.

Security against smuggling is relatively tight around Saigon. It is therefore surmised that most of the brass is smuggled from coastal ports such as Phan Rang, Nha Trang, Qui Nhon and Da Nang, where security is much looser. One technique the syndicate uses is to transport and load scrap each night after the curfew begins.

The agreement between the United States and the South Vietnamese government on the transfer of military scrap was effected in an exchange of notes between U.S. Ambassador Ellsworth Bunker and Minister of Foreign Affairs Tran Van Lam on Dec. 14, 1972. The agreement is said to have taken a year to negotiate.

The transfer of scrap was seen as a partial substitute for U.S. economic aid. It was undoubtedly negotiated with awareness that South Vietnam's economy was sagging because of U.S. military withdrawals, and that South Vietnam faced an uphill fight in getting sufficient economic aid from the U.S. Congress. It is not known whether American negotiators included scrap brass in their estimate of the value of the agreement to the South Vietnamese government. They might have written off the brass as unrecoverable.

If, however, the south Vietnamese government could recover the brass and export it legally as the transfer agreement authorizes it to do, it would mean a substantial windfall, definitely worth millions of dollars and perhaps hundreds of millions. "It would be fantastic for the government," said a member of the U.S. banking community here. "It would boost the government's foreign exchange tremendously."

Meanwhile, Ishimura, Smith, Dunmore and Phuong wait in Chi Hoa Prison for the case to unravel.

“Life in prison is not so bad,” said a Mitsubishi employee who frequently visits Ishimura. “He has money, so the food is comparatively good, there are no telephone calls and no business matters.”