The Bunker Papers
Reports to the President from Vietnam, 1967–1973
EDITED BY Douglas Pike
VOLUME 2
INSTITUTE OF EAST ASIAN STUDIES
UNIVERSITY OF CALIFORNIA AT BERKELEY

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A publication of the Institute of East Asian Studies, University of California at Berkeley. Although the Institute of East Asian Studies is responsible for the selection and acceptance of manuscripts in this series, responsibility for the opinions expressed and for the accuracy of statements rests with their authors.

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Printed in the United States of America
Library of Congress Catalog Card Number 90-80950
ISBN 1-55729-019-9
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FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY THIRTY-FIFTH WEEKLY TELEGRAM, JANUARY 17, 1968

I indicated in my last weekly message that I would be sending my assessment of problems and prospects for 1968 in my next message. I have now deferred this for a week in order to assure that a more careful and comprehensive analysis can be prepared. The following report therefore covers normal developments of the past ten days.

Viet-Nam is now entering its annual pre-Tet lull when most activities are either slowed or halted altogether in favor of preparations for the great annual Tet holiday, which is a celebration which resembles our Christmas, New Year's, and Thanksgiving all rolled into one.

Indeed the approaching Tet season is the official explanation of the reason given for calling a halt to the conflict between the government and the CVT labor union which arose because of the demands of the employees of the former French owned power company for pay increases. The strike had already spread to other segments of the work force. Although there were other compelling reasons for calling a halt to the conflict between the government and the CVT labor union, following a meeting of labor leaders and government officials which lasted until 3 in the morning, the CVT yesterday issued a communiqué stopping all strikes in the interest of not inconveniencing the people before the Tet holiday.

If the Tet spirit helped to smooth over the clash between the CVT and the government, it has not yet allayed the widespread concern about the possibility that the U.S. will make a deal with Hanoi or the NLF which will ultimately result in a communist takeover of South Viet-Nam. The Trinh statement on negotiations set off a wave of speculation that continues to touch all facets of Vietnamese political life. The Senate discussed the question of the GVN position with regard to the NLF on January 3, and most speakers stressed their belief that coalition government is a communist tactic aimed at accomplishing by political means what they have failed to do by military action. The chairman of the Senate as well as a number of other senators and lower house deputies have expressed their deep concern to us privately. Some military leaders have gone so far as to talk privately of a coup if a coalition government seems imminent. Even militant Buddhist leaders and "struggle" elements have expressed such fears and counseled against any dealings with the NLF which will give the Front any status other than that of Hanoi's instrument. These fears have been echoed and agitated by the press. For six weeks
editorial comment has been dominated by such things as the possibility of U.S. recognition of the NLF and the bogey of coalition government.

President Thieu has responded to these anxieties by a series of statements designed to show that he is determined to oppose and prevent any policy moves from any quarter which will result in a communist takeover here. On January 5 he told journalists that he will crush all peace moves which favor the formation of coalition government. He made several similar statements in the following days, and on January 15 he made a major speech in which he set out the government position on the peace issue. He warned against a bombing pause without any reciprocal action by the communists, and he said that the communists are trying to get the allies to negotiate with the NLF in order to "obtain acceptance of a 'coalition government' in which the communist elements, as Trojan Horses, will gradually take over the whole of South Viet-Nam."

I think that Thieu's remarks reflect his own general thinking, though he is personally more flexible than the uncompromising tone of his speech might seem to indicate. For example, he repeated to me recently what he had said as long ago as last August that he was not unwilling to probe the NLF but that this must be done secretly and that he could do nothing unless and until public speculation and talk subsided. But whatever his personal view of these matters, the speech certainly reflects his reading of Vietnamese political realities. Thieu clearly does not think that he can take any other position publicly without risking loss of support from both military and civilian leaders.

I expect that the Secretary's very good statement of January 15 will help to reduce the fears that we are going to sell out South Viet-Nam, and in turn that should have such reactions as Thieu's January speech less necessary. In fact, Thieu yesterday told me that the agitation and the fears which had been sweeping the country were like a wave. The crest had been reached and it was now subsiding. The problem of handling Vietnamese opinion will continue to be with us, however, all the more so if Hanoi in fact proves to have any sincere intention of seeking an acceptable solution to this conflict.

Concentrating as they are on the possibilities of negotiations with Hanoi and the NLF, most Vietnamese leaders have had little to say about the Bowles mission to Cambodia and the resulting communique. Comment has been mildly favorable for the most part, though I think no one really expects much in the way of concrete results. In his January 15 speech, Thieu restated the government's position on the Cambodian border question in rather harsh terms. The tone of his remarks unfortunately reflects the continuing antipathy which most Vietnamese leaders feel for Sihanouk personally as well as Thieu's understandable anger over the great assistance which Cambodian policies have given to the enemies of a free South Viet-Nam. I tried to get Thieu to eliminate one paragraph referring to Sihanouk personally but he reacted rather strongly and said that while obviously Sihanouk did not have to talk to the Vietnamese, the least he could do was to be correct. Thieu and Ky, however, in private conversations with Phil Habib and me have agreed that the Bowles
mission was a useful exercise and that Sihanouk's intentions should now be tested more concretely.

Priority Programs:

(A) MACV has reported to me that the JGS has published implementation instructions for the reorganization of the RVNAF, effective as of January 1, 1968. The instructions encompass those reorganization measures developed jointly by MACV and the JGS. Efforts are also going forward to reorganize and improve RVNAF logistics. During the past week a meeting was held between interested U.S. and RVNAF staff and command agencies on a port of Saigon general cargo agreement. The first meeting of the joint RVNAF/MACV study group on the reorganization of the ARVN division direct support system was held on January 10, 1968.

As regards efforts to improve morale, a new food allowance rate for regular and RF enlisted personnel is now in effect. This increase includes a standard daily food allowance which varies from VN$36.50–43. This represents a substantial increase over the old food allowance which was VN$26.50–33, depending on location.

(B) President Thieu told me January 11 that the new training program for province chiefs and district chiefs will be opened on February 2. Some 150 individuals have been selected to attend the course, which is to be held in Saigon rather than Vung Tau. He plans to install the new province and district chiefs on March 1. Those present province and district chiefs who are to be retained in their offices will be put through the same course after the first group completes its training. In this connection it is of some interest that the commander of III Corps, General Khang, told an Embassy officer recently that he expects up to half of the province chiefs in his corps will be replaced when the first batch of trainees are ready for assignment.

Other reports on efforts to improve the civil administration include the following:

In the process of restoring village autonomy and the development of local government, training courses were established last year for village administrative committees, hamlet management boards, and the elected village councilmen. By August all but three provinces had courses underway, by October, all but one (Pleiku). The number of individuals trained by December 31 was 15,500. While this was only two-thirds of an overambitious target figure, it seems to be a highly creditable performance, especially in view of the fact that election administration in September and October interfered with the training. While there remains room for improvement in materials and methods of instruction, the impact of the training on local administration is already evident. One of the favorable aspects is a general willingness by Vietnamese to evaluate their own programs and strive for improvement. Village and hamlet officials' training is expected to increase in 1968 and to continue indefinitely. This program will be more productive once the training of district and province officials is given comparable attention.
A three-day executive development seminar for selected higher level officials of the GVN starts on January 17. This will be inaugurated by the Prime Minister who also plans to participate in the ensuing proceedings.

Attention to administrative training for local government improvement continues with two-day seminars in two of the regions: in II Corps, the members are mainly GVN officials including province chiefs and in region IV, American advisory personnel concerned with local government problems.

Dr. Bong, chairman of the Prime Minister's Committee on Administrative Improvement and Director of the National Institute of Administration, agreed to assume leadership of management surveys of provincial operations. In making a pilot study of a selected province, Dr. Bong will ask each of the ministries of Interior, Education, Public Works, Agriculture and more to provide a representative for a review team which would also include advisors from USAID and CORDS.

In the city of Can Tho planning efforts are moving ahead. A special committee has developed a suggested 5-year plan program for the city development. Our regional staff is participating in trying to develop the implementation of some of these plans, and an urban planning specialist recently has been assigned to work with local officials in moving ahead with "impact" actions. If good results are obtained, this effort may well prove to be a useful pilot project for other Vietnamese cities outside Saigon.

The new budget will be presented to the legislature by President Thieu before Tet, and that will be the first major business to be undertaken by the new Vietnamese Assembly. However, the lower house has already debated the mobilization decree and adopted a resolution on it. The resolution affirms the need for mobilization but asserts the intention of the lower house to draft its own mobilization law on an urgent basis. The legislature also continues to organize itself, with election of officers in the lower house taking place today. I have just learned that the lower house has elected Nguyen Ba Luong as chairman. Luong is a member of the pro-government Democratic bloc, and can be regarded as a government supporter. He was a member of the Constituent Assembly, where he was the dean, and had previously served as chairman of the Phuoc Long provincial council. We do not expect him to be a particularly strong leader. Luong got 69 votes today, his nearest rival 41. The Senate announced its committee memberships January 2 and the lower house has now completed its rules.

Senator Nguyen Van Ngai, chairman of the Economic committee, has also taken an interest in investigating the "corruption surrounding the purchase of Thai rice." Ngai is looking into the excessive freight charges on which we are asking a refund from the GVN, and I anticipate that this matter could be used as raw material for speeches either against the government or possibly against some aspects of the American aid effort.

On January 6 the daily Song was closed for 30 days because it "indirectly espoused the idea of a coalition government" and because it published "ideas completely compatible with the propaganda line of the North Vietnam com-
munists and the NLF." Song tended to be very irresponsible indeed in its editorial comment, and the press generally shed few tears over its punishment. However, the closure was followed by a January 8 announcement that warnings will henceforth be issued to newspapers which print false news. After three such warnings, the offending papers will be closed. This seems to confirm some [three words excised] reports that Thieu wants to tighten the reins on the press.

As I noted above, the CVT strike has at least been temporarily halted as the result of an agreement between the Ministry of Labor and the CVT leaders. This is a fortunate development, as the strike was spreading, the government had arrested six strike leaders while they were in the Ministry of Labor to negotiate, and it appeared that a very difficult confrontation between the government and organized labor was in the offing. Both sides have now made concessions, and although the arrested labor leaders are still being held, I understand that most of them will be released. We may be hearing more of this general problem after Tet, however. I do not think the government distinguished itself in its first major test of handling labor relations.

Although political activity is muted now as we approach Tet, various political groups continue to maneuver in an effort to set up blocs in the legislature and move towards the formation of new political parties outside the Assembly. Of some interest in this connection are recent efforts by Senator Tran Van Don and his colleagues to win the backing of both the An Quang militant Buddhists and the Tam Chau moderates. Don has tried to convey the impression that he has successfully brought the Buddhist militans and moderates back together; Thich Tam Giac, a moderate leader, and Thich Thien Minh, a former struggle leader, appeared publicly with Don when he made the claim at a large reception in his home. In fact, however, Don and his Senate colleagues Dang Van Sung and Ton That Dinh do not seem at this time to have had any real success either in uniting the Buddhists or in bringing Buddhist organizations into their front.

An unfortunate development has been the decision of Gen. Thang to step down from the key job of managing RF/PF and RD teams. He insisted that for his new role to be successful, Thieu must remove the poorest corps commanders and back the new RVNAF reorganization. Thang has felt frustrated and submitted his resignation. Gen. Westmoreland has suggested to Thieu that he appoint Thang IV Corps commander, and I believe Thieu is inclined to do this. He would do a fine job and in a highly important area where approximately 40 percent of the people live and which is its economic backbone. I am sorry that Thang has taken this step. He has resigned or threatened to resign several times before. He is dynamic and wants to push ahead, which we do also, and gets impatient when orders are not willing to move at his pace or fall in with his plans. In my opinion he would have been well advised to have exercised more patience and to have stayed on his former position. He let it be known quite clearly that he wanted no intercession on our part in his behalf. His rumored replacement by [name deleted] who is not of Thang's
caliber, but Gen. Westmoreland believes that he will be amenable to our guidance.

On the other hand, substantial increase in the assets devoted to pacification provide a stronger base from which to launch the 1968 program. For example, we are counting on an increase of about 48,000 in RF/PF effectives during 1968. Police strength grew from 61,000 to 73,000 during 1967. The number of RD teams of all types grew from 445 to 693, an increase of over 50 percent. Also the GVN has allocated substantially greater piaster funds to pacification type—programs for 1968. All this reinforces the trend toward greater GVN attention to pacification. What is lacking at this point on the GVN side is less resources than leadership.

The Saigon retail price index now stands at 308, which is down slightly from the 310 level reported last month. Both the price of gold and the import price index registered small declines last week, with gold falling from 218 to 214 and the import index moving down from 224 to 233. As Tet approaches we normally expect inflationary pressures to increase, so the steadiness of prices at this time is particularly encouraging.

For the first time in at least a decade, the GVN assumed over one-half of its total annual import financing. 55 percent of the total import licensing in CY67 was GVN-financed, while the remaining 45 percent was financed under CIP and Food for Freedom Title I program. This is made possible, however, by greatly increased GVN foreign exchange revenues as a result of free world forces expenditures in Viet Nam, rather than revenue from GVN exports.

Since its inception in May of 1966, the plant and seed multiplication branch of the Office of Agriculture has imported and distributed more than 150 different varieties and strains of crop plants in Viet Nam. Most of these were completely new to Viet Nam or were judged to be an improvement upon Vietnamese types. Some of the more important imports were grain sorghums, sweet and field corn, velvet and mung beans, muskmelons and watermelons. Most of the seeds went to three GVN experiment stations where they are undergoing adaptability tests. Grain sorghums seem particularly promising at this time, as they can be an extremely productive source of animal fees, badly needed in Vietnam.

Here is a story about a tractor which illustrates a number of points and which I think you will find interesting: on Dec. 19, a Fiat 612 model tractor (a medium size, heavy duty farm tractor) was observed on Nguyen Thuc Thong Street. The tractor was in the possession of two farmers from the village of My Phuoc in An Giang province. They planned to drive the tractor to their village, about 170 kilometers from Saigon. The two men further stated that they were part of a family group which purchased the tractor to do custom plowing for hire. The group expected to be able to use the tractor to plow at least 300 hectares every season. They stated that this would be the third large Fiat tractor in An Giang and they ordered it after seeing the others. The tractor was ordered from the Randon Company on Ham Nghai Street. The delivery time was three months and the entire purchase price of VN$550,000
had to be paid before they could take delivery. These farmers were not sophisticated individuals, but there was no doubt in their minds as to the profitability of the tractor. The entrepreneurial spirit is not lacking—the farmers saw a chance to profit by the application of new (to them) technology and seized it, and a 550,000 piaster capital investment was not an insurmountable obstacle to them. This is by no means an isolated incident. Tractor sales have been increasing steadily since 1965 in the approximate progression of 500, 800, and an expected 1,300 in 1967–68. Small Japanese hand cultivators (two-wheeled tractors) also have been coming into Viet Nam in increasing numbers since the liberalization of import regulations late in 1966. Several months ago we heard that 700 Kubota cultivators were expected and that 300 of them had arrived.

All these signs tend to confirm that there is an active, growing market for agricultural machinery in Viet Nam, and to demonstrate the continuing impact and importance of import liberalization to agricultural development here.

During the period ending Jan. 7, there were 466 Chieu Hoi returnees. This compares with 437 for the same period last year. The total for this period includes 131 armed Cambodian dissidents, however. On Jan. 8 the Viet Cong overran a Chieu Hoi center in Hau Nghia province and killed three returnees.

In the week ending Jan. 13, the Viet Cong killed 171 Vietnamese civilians, wounded 402, and kidnapped 125. During the same period the enemy killed 263 Vietnamese military personnel. If we add the civilian and military dead, we get a total of 434 Vietnamese killed by the enemy during this report period. This may be compared with 246 Americans and 2,216 enemy killed during the same period. Since the beginning of this year through this reporting period the enemy has killed 223 civilians, wounded 644 and kidnapped 227.
The principal political problems we anticipate in 1968 include:

(A) The need to maintain the stability of the GVN as the basis for future action.

(B) The need to develop momentum across the board in implementing priority GVN programs.

(C) The need to develop popularly-based political organizations, increasingly able to compete with the communists.

(D) Development of effective public administration at all levels, suited to Vietnamese needs and problems, reasonably free of corruption.

(E) Preparation for the negotiation and implementation of peace.

(F) Dealing with issues resulting from the substantial American presence in Viet-Nam, including pressures for negotiation of a status of forces agreement with Viet-Nam.

Regarding these problems, we have been doing the following:

(A) In the first instance, this is a matter of maintaining a viable relationship between President Thieu and Vice President Ky. I believe both of them realize how much depends on their coming to terms across a broad spectrum of government programs and actions. Their relationship may not be a particularly easy one, for their personalities stand in strong contrast to each other, but as I have said I am encouraged by recent signs of closer consultation between them. In the second place, political stability involves maintaining an acceptable relationship between Thieu and Ky, on the one hand, and other top military leaders including the corps commanders who are the principal power base at this time on the other. We have made clear to all of the senior generals the importance we attach to the maintenance of governmental stability. We think that they understand this point and accept it, in their own personal interest, if for no other motive. Coup rumors are very rarely heard these days, in marked contrast to the situation several years ago, and our presence plus their knowledge of our views are no doubt a main reason for this fact. Ky has said several times, "Coup is an outmoded word in Viet-Nam."

(B) President Thieu has presented in his inaugural address October 31, and we expect that in his budget message January 25, he will present both general and specific goals for the GVN in the next year or so. With these as a focus, we will be in a position to press the GVN, as necessary, in terms of specific programs which have definite budgetary support. I am convinced that the GVN leadership is aware of the need to demonstrate progress and forward momentum and of our views on it.

(C) We have emphasized to all levels of the GVN and to political circles outside it our deep and continuing concern that the non-communist nationalists are in an extremely weak position to compete with the communists in the open political arena. Even if the communists explicitly abandon hostilities, their political apparatus will remain in place, in many areas virtually the only political organization in sight. Fortunately, we can discern the elements of three embryonic political groupings with the potential of developing into political parties on a national scale. These include a nationalist (at least partly)
Catholic and GVN-oriented party with its nucleus in the "nation, democracy, society" bloc in the upper house; a nationalist secular party generally favorable to the GVN, with its nucleus in the "labor" bloc in the upper house; and an opposition party, drawn from the disparate elements that opposed Thieu and Ky during the presidential elections. These are only the nuclei of tentative political groupings at present, but their leaders speak with evident determination of their desire to develop these bodies into viable political entities. President Thieu has indicated to me his understanding of the need for viable political parties and his desire for advice on how to proceed with party organization. He can be expected therefore to look sympathetically on their development. We will be following this evolution closely and encouraging it to grow in useful directions adapted to Vietnamese needs.

(D) The GVN is moving to upgrade the quality of province and district chiefs through the selection of honest, qualified personnel and the provision of improved training programs. Provincial councils will probably be elected for another term in May, and elections for mayor of Saigon will be held in August and in other cities in 1968 at times to be determined. Plans for GVN salary increases are being made to reduce the temptation for government officials to engage in corrupt activities.

(E) Through a series of speeches and public statements, President Thieu, Prime Minister Loc, and Foreign Minister Do have defined some aspects of GVN policy towards the negotiation of peace. Thieu has sought to contact Ho Chi Minh through a personal letter, but the means of transmission has so far presented an insoluble problem, as has the contemptuous attitude of Hanoi, which has rejected the effort before it is actually made. A number of political figures generally supporting the GVN, as well as both houses of the National Assembly, have voiced support for a "tough" stance by the GVN in any negotiations. Only a few nationalists who generally support the GVN accept the idea that a political role needs to be found for the NLF in any viable settlement. Misleading and at times false reports about alleged American contacts or policies towards negotiations and a coalition government with the NLF have created widespread fear and some despondency among supporters of the GVN. These appear to have been largely dispelled by a series of timely statements which you and Secretary Rusk have made and which we have picked up and used here. Nonetheless, there has been little work done within the GVN to face up to the problems of peace, problems which may dominate the political scene in the coming year. We will be addressing this problem with them and seeking to give direction to their thoughts.

(F) We have pointed out to President Thieu and to influential members of the National Assembly the serious problems negotiation of a status of forces agreement would pose for us in the midst of a war. While some members of the National Assembly have agitated this issue, there is no strong and immediate pressure for a status of forces agreement.

We see the following prospects for movement on the problems described above:
(A) There is every prospect that the GVN will continue in power through 1968, increasingly sure of itself, more fully engaged in the operation of ongoing programs, with a political base being progressively broadened by the clarification of attitudes in the National Assembly and the development of political organizations in the provinces.

(B) I think we can expect some increase in momentum on the part of the GVN in moving forward its programs, particularly in the more orderly implementation of manpower mobilization programs, the turnover of some provinces to mainly civilian administration, some improvement in the performance of the agricultural economy, and a further improvement in the level of security in the countryside.

(C) There will be definite progress in the development of popularly-based political organizations, although they will during 1968 probably remain much less effective than the formidable communist political apparatus they presently face. This is a long range process requiring a solid base.

(D) There is every prospect for a slow but steady improvement in the quality of public administration. Prospects for effective action against corruption are less clear, although Thieu and Ky have repeatedly told me they understand how necessary such action is. Inflation is likely to continue, and with it, an atmosphere in which corruption will continue to varying degrees.

(E) The GVN will be very difficult to deal with in the matter of preparing for negotiations. Every move we make towards an accommodation of views with the communists will raise lively and genuine fears of abandonment. I believe our best course is to focus on specific aspects of negotiations, discuss them in advance and in depth with the top leadership of the GVN, and try to bring them and their followers along as best we can, without sapping their ability and their will to continue the struggle, which has already lasted a generation and has cost the lives of some of the best elements in Viet Nam. This will be a painful experience requiring patience and understanding, but it is vital to our objective of finding a political solution in Vietnam acceptable to the broadest range of Vietnamese nationalist opinion.

(F) Barring an unfortunate series of incidents involving American forces, we do not anticipate that pressures to negotiate a status of forces agreement will become unmanageable during 1968, although there may be growing Assembly and press attention to the matter.

With more people, more protection, and more resources earmarked for pacification, we can't help but do better than in 1967, just as 1967 showed significant—if modest—gains over 1966. As Bob Komer put it to the press, we're up from the crawl to a walk: next year perhaps a trot.

We start out 1968 with a more solid pacification organization than 1967, and with greater experience too. This time we made a special effort to get 1968 planning done by the end of 1967 to permit an early start, and plans are much more comprehensive. Also, President Thieu has revived the central Revolutionary Development Council as a board of governors for seeing that essential GVN ministries are tied in better than before.
January 24, 1968

One reason why pacification should go better is that more GVN/US resources will be allocated. RF/PF will be upgraded and expanded by more than 40,000. Whereas pacification manpower—military forces, police, RD teams, civil servants in provinces, census grievance workers, teams, etc.—totaled about 500,000 at end 1967, it should increase to over 600,000 by end 1968. Police strength should go up from about 74,000 now to 86,000 at year end. RD teams will increase from 555 today to an estimated 721, or almost 30 percent. This greater friendly strength will permit us to put greater pressure on declining VC local forces, guerrillas, and infrastructure.

The attack on the VC infrastructure being geared by the Ministry of Interior should begin to show a payoff in 1968. Our goal is to eliminate 12,000 infrastructure during the year including 5,000 VC political leaders, key cadre and activists.

We can almost certainly count on much more economic revival in the countryside, one of the key trends which emerged in 1967. Many more roads and waterways are scheduled for opening and upgrading with US/ARVN military engineer or contractor effort. A 20 percent increase in the rice crop is forecast, as IR-8 plantings begin to spread. The “three machine revolution” is underway as transistor radios, sewing machines, and water pumps begin to show up in rural communities. This kind of economic revival will give a big boost to pacification. It’s something for which the VC have no counter.

Project Take Off has been revised to include five key top priority goals for 1968. These are to (1) improve and expand territorial security; (2) press the attack on the VC infrastructure; (3) upgrade refugee care and step up resettlement and vocational training; (4) prevent regression in 5,646 already secure hamlets; and (5) press economic revival of the countryside in conjunction with USAID.

The most serious problems we still face in pacification as elsewhere are bureaucratic inefficiency and inadequate GVN leadership at all levels. Corruption especially among local officials who come in daily contact with the people must be tackled more vigorously. Hamlet regression must be stopped, so we don’t lose what we have previously gained. The high attrition of territorial security forces and RD cadre must be reduced. Despite greater experience and more resources, the quality of GVN performance remains the critical variable.

Moreover, even if we do pacify significantly more in 1968 than 1967, we will still have a long way to go. There are still some 2.9 million people in 3,900 hamlets under VC control, plus 2.8 million people in 3,500 hamlets being contested—although there is some GVN presence in the latter.

Nonetheless, pacification can no longer be termed “stalled” or “faltering”. Our plans call for pacifying at least 1,500 hamlets (versus 1,100 in 1967), and this goal may rise during the year. We hope to bring 72–75 percent of the people under GVN control during 1968. If we can do so, it will take a further substantial cut out of the already declining VC population base and create even more serious VC recruiting problems, thus making this even more an NVA war.
The principal economic problem we anticipate in 1968 is continuing inflation. Despite the relative degree of price stability of recent months, the money supply has been expanding at an increasing rate, and all indications point to a continuation of this trend, with predictable results on the level of prices.

We are pressing the GVN for a substantial increase in petroleum taxes, a review of customs duties, and other measures to increase tax revenues. We are urging a reduction in the subsidy on imported rice which would help reduce the budget deficit and result in high domestic rice price, encouraging domestic production and spreading prosperity to the countryside.

If the GVN takes effective action on the tax front, the problem of inflation should not be overly dangerous.

The principal military problems we anticipate in 1968 include:

(A) In the field of military operations, the continued defense of the frontiers against infiltration from North Vietnam, Laos, and Cambodia; searching out and destroying enemy forces within SVN and neutralizing enemy base areas; and providing territorial security, with priority to the 26 provinces selected for concentrated pacification effort.

(B) Net increase of over 50,000 men in RVNAF through broader and more effective manpower mobilization measures; improving RVNAF leadership; revitalizing the GVN veterans affairs program.

(C) Integration of the joint GVN-US intelligence effort at the field force–ARVN corps level.

(D) Improving the effectiveness of the MACV logistics posture and strengthening the logistics posture within RVNAF to reduce dependence on the US system.

(E) Developing, rebuilding, and maintaining a national system of highways, waterways, and railroads to serve the military effort, strengthen security, and support the national economy.

(F) Completion of major on-going communications-electronics programs to support allied military and civilian operations in Viet Nam.

Regarding these problems we have been doing the following:

(A) The means available to execute envisaged military operations are being strengthened. The deployment of US forces within the 525,000 man ceiling is near completion. The moderate programmed increases in Australian and New Zealand forces, the buildup of Thai forces to a light division, and the anticipated deployment of a ROK light infantry division will improve our combat capability. The deployment of additional shipping and the movement of the remainder of the 9th Infantry Division into the Delta. Air Force B-52 strikes will be increased from 800 to 1,200 sorties per month, beginning in February. Completion of a new [five words excised] and the strong point-obstacle system south of the DMZ will restrict enemy infiltration into SVN. Improvement in the strength, command structure, quality of leadership, weapons, and communications available to RVNAF will place the Vietnamese in a better position to carry on the struggle.
January 24, 1968

There are two problem areas in the operational field that will hinder attainment of our objectives: (1) A helicopter shortage exists which will become more serious with the planned increased size and tempo of operations in SVN, resulting in increased helicopter battle loss and damage. The proposed conversion of the 101st Airborne Division to an air-mobile division and increased helicopter requirements for the Vietnamese air force and elsewhere in the Pacific will worsen the problems. Only increased helicopter production will bring any real improvement in the situation. (2) The enemy's use of border sanctuaries is already a problem which may grow more serious. This will become an even greater danger during possible negotiations and subsequent withdrawals, unless positive verification of dispositions in the border areas is provided. Movement of major NVA and main force VC units into Laos and Cambodia, either to wait out a U.S. withdrawal after negotiations or to transfer the insurgency effort to Thailand or Laos, would constitute a continuing major threat to our objectives in Southeast Asia.

Assuming self-sufficiency being attained by the RVNAF, and a greatly improved security posture in SVN, contingency plans are being prepared for the eventual withdrawal of our forces, either through negotiations or the attainment of our objectives. An early cessation of our air and naval bombardment of NVN would have a heavy, adverse impact on the military situation in SVN and, in our view, would be totally unacceptable without compensating reciprocation by NVN. However, in the event a cessation in attacks on all or part of the north should be ordered, free world and GVN forces should continue combat operations under the present policy of steadily increasing military pressure. This would provide negotiating leverage, defend the population and Allied forces from attack, and retain the military initiative. Frontier defense operations along the DMZ and the Laotian and Cambodian borders should continue. In-country offensive and pacification operations should also continue, thus permitting the maximum expansion of GVN presence and control over SVN. Strike aircraft and B-52s made available from the putative halt in operations in NVN should be diverted to Laos, particularly the Panhandle, and throughout SVN as required. Naval forces freed from duty in the north should be diverted to intensify Market Time operations.

(B) The GVN has the authority, under the partial mobilization decree of October 24, to recruit the manpower necessary to make up for anticipated losses in 1968 and meet the requirements for additional troops to expand the overall force structure. Debate on the form and the substance of the mobilization decree in the National Assembly has been sharp and sometimes quite critical of the GVN, but there is a general awareness of the need for increased manpower mobilization. A continuing shortage of qualified and experienced NCOs and officers is one of the major problems confronting RVNAF. This is progressively being relieved by expanding the facilities for leadership training and by improvement of personnel management procedures. The recently enacted partial mobilization decree, with its provision to keep experienced NCOs and officers in the service, will help to alleviate the leadership problem.
MACV has assumed advisory responsibilities for the Ministry of Veterans Affairs, which has lacked financial and managerial support from the GVN. A revitalized veterans program will remove large numbers of physically impaired soldiers from RVNAF rolls and will see to their hospitalization, classification, training, and job placement to assist them in leading useful lives after completion of service.

(C) Plans are now underway for the formation of a Combined Intelligence Committee at the JGS/Embassy/MACV level. This senior committee will in turn issue directives concerning the coordination and integration of U.S., free world, and RVNAF effort at major command and lower levels.

(D) Plans are being made to improve the utilization, effectiveness, and efficiency of the MACV logistics base. Excess stocks generated by the rapid buildup and the absence of an "in-country" logistics base will be put to use. RVNAF logistics self-sufficiency is being enhanced through improved management techniques and procedures, refinements in organization, and balancing of services and support forces with combat forces. RVNAF mobility is being increased through expediting map deliveries of vehicles from the U.S. and by loans of vehicles from U.S. forces in Viet Nam.

(E) Plans have been made to improve the condition and security of the highways and railroads during the coming year. The 1968 US/JGS combined campaign plan designates over 2,800 miles of national, inter-provincial and provincial highways as essential, for which security and construction restoration are of prime importance. 400 miles of national and inter-provincial highway will be rehabilitated to modern two-way traffic standards in 1968. 296 miles of railroad were operational as of December 31, 1967, with a 1968 goal of an additional 233 miles to be made operational during the year. Emphasis also is being directed to opening and securing additional inland waterways in III and IV Corps. Providing more effective advisory support to the Vietnamese Director General of Highways is anticipated through the projected transfer of this responsibility from AID to MACV, in view of the need to coordinate road maintenance and construction with planned operations to re-establish security.

(F) The major current communications/electronics programs to support allied military and civilian operations in Viet Nam will be substantially completed in 1968. [about 65 words excised].

We see the following prospects for action on the problems described above:

(A) We anticipate significant progress in defeating the VC/NVA main force units in SVN and in neutralizing the enemy's base areas and resources in SVN, driving him into sparsely populated areas where food is scarce. We plan to keep the enemy constantly on the move and deny him the opportunity to refit, resupply, rest, or retrain in SVN. His losses in main force units, the destruction and neutralization of his in-country base areas and the continued air and naval attacks on his lines of communications will force him to place greater reliance on sanctuaries in Cambodia and Laos. Should a political decision be made to do so, we will be prepared to neutralize the enemy's base
areas across the Cambodian borders by limited objective ground attacks. The enemy's infiltration will be further restricted by a strong point obstacle system along the DMZ, and in the northwestern part of I Corps, and by redeployment of CIDG units to provide improved surveillance and interdiction along the frontier. Within SVN, the enemy's recruiting potential will be reduced through the increased momentum of our military offensive and pacification efforts. The attack on the VC infrastructure is expected to gain headway in 1968.

(B) We anticipate that RVNAF will be able to recruit enough troops to meet planned expansion of the force structure, although debate and possible legislation approved by the National Assembly may affect the age groups involved and the timing of their mobilization. We expect a further improvement in the quality of RVNAF leadership, as success breeds further success. The Veterans Affairs Program will improve in effectiveness, among other things because the need for civilian manpower to make up for those drawn into RVNAF will leave gaps which will need to be filled.

(C) Our knowledge of the enemy structure, personalities, and policies has steadily improved, and with this as a base, plus the organizational improvements discussed above, we expect to improve the quality of the intelligence effort in 1968.

(D) Improvement of the logistics posture of both MACV and RVNAF are well within reach, although continuing command effort will be required to reach our goals.

(E) With the resources we now have on hand we expect to meet our goals for rebuilding and maintaining the national system of highways, waterways, and railroads, along projected lines.

(F) 1968 will see a further improvement in the capacity and effectiveness of the communications/electronics system, both on the US, as well as on the RVNAF side.

The principal problems we anticipate in the aid field in 1968 are as follows:

(A) The need to increase agricultural production to come nearer to self-sufficiency in food.

(B) Expansion of the educational system through training of teachers, construction of classrooms, and provision of textbooks.

(C) Improvement of health care in general and better treatment of civilian casualties in particular.

(D) Urban development in Saigon.

(E) Land reform.

Regarding these problems we have been doing the following:

(A) Assistance to agriculture is focusing on short-range impact programs to increase production of rice and protein foods—pork, fish, and poultry. The major new agricultural goal is Vietnamese self-sufficiency in rice by 1971. The GVN Minister of Agriculture has established as an initial target planting over 100,000 acres to improve rice seed varieties, primarily IR-8, in 33 select-
ed provinces by this summer. This should result in a two to three-fold increase in present rice production yields in the areas involved (about 150,000 tons additional) this year. In support of the agricultural production and pacification programs assistance is planned in 1968 to Vietnamese financial institutions to accelerate the development of small-scale agro-industries.

(B) In 1968 we plan to assist the GVN in the training of an additional 4,900 elementary teachers, construction of 4,100 elementary classrooms, and distribution of 2.5 million elementary textbooks. This will permit an increase in elementary school enrollment to 75 percent of the age 6 to 11 group. On the secondary level we will help to build an additional 500 classrooms, train 1,200 teachers, and provide 600,000 textbooks, making possible an enrollment of 20 percent of the secondary school age group.

(C) Care of civilian casualties—expected to average about 4,000 admissions per month to GVN Ministry of Health hospitals—will be improved with the renovation and improvements underway in provincial hospitals and the establishment of a US military system for assisting in the care of civilians with war-related injuries. This will add some 1,000 additional hospital beds and additional US military medical personnel to the GVN's present resources. The hospital at Chu Lai should be operational in March, 1968, and the hospitals at Danang and Can Tho should open in June. A University of California team will review the GVN's public health program and develop plans for improving preventive medicine programs as security and manpower resources permit. Three Saigon hospitals will be renovated to permit their use as bedside teaching facilities for the medical education program.

(D) A Saigon impact program has been developed for implementation in 1968 to improve public services such as street repair, alley and walkway paving, traffic control, mass transportation, and improvement of other urban services. The FY 1968 aid program includes funds for the establishment of a revolving loan fund to finance construction of urban utilities.

We see the following prospects for action on the problems described above:

(A) We believe there is every prospect for increased agricultural production during 1968. Present forecasts for the 1967–68 rice crop are 4.4 million tons or 138,000 tons above the 1966–67 harvest, with every expectation that the improvement will continue. The use of IR-8 on a large scale should further improve the rice harvest.

(B) The specific expansion in the elementary and secondary school system is within reach of the available training and construction facilities.

(C) Care of civilian casualties will improve steadily throughout 1968, due to increased facilities available, from both GVN and US programs, as well as increased awareness of the dimensions and importance of such treatment.

(D) There already has been a noticeable improvement in a number of Saigon streets and roads which carry heavy civilian and military traffic. Traffic control is considerably improved and will improve further with the installation of new traffic lights. Mass transportation is likely to improve, both
through GVN purchase of additional buses, and through possible foreign assistance programs currently under consideration by Germany.

(E) With the GVN appearing to have overcome its inertia as to land reform, we look forward this year to a new role of assisting the GVN with its initiatives. Recent actions by the GVN and repeated public pronouncements attest to the seriousness of the government's intentions to carry out a vigorous program. Distribution of permanent titles has been ordered speeded up. French lands, long held by the GVN, have been ordered distributed. The prime minister has taken a personal hand in monitoring the distribution of these lands, as he has in a new program to renew 500,000 rental contracts. The National Conference on Land Reform, a public working conference, held January 18-20, became a special occasion for reaffirmation by the GVN of its intentions and program, and for public response. For the year ahead, we expect to emphasize two major areas of assistance, coinciding with the GVN's own assessment of land reform priorities. They are: (1) making administration more effective, particularly the existing land distribution; and (2) meeting the problems of conflicting occupancy rights at the time of pacification. This problem resists ready solution. Among the means by which it can be approached are voluntary transfers, emphasis on rapid distribution of available lands in selected areas, tax revision to encourage voluntary sales, government land purchases, new land development programs, and possibly by expropriation of some lands of absentee landlords.

The principal problems we anticipate in the public affairs field in 1968 are as follows:

(A) Beginnings of criticism of the GVN among the general public on grounds that the new, elected GVN has not accomplished much of note. (This is closely related to the problem discussed in the political section, the need to develop momentum across the board in implementing priority GVN programs.)

(B) Growing sensitivity within the GVN and in the public as a whole to imagined US affronts to Vietnamese sovereignty and national prestige and fear of a US "deal" with Hanoi and the VC at the expense of the GVN.

(C) Organizational problems in the GVN Directorate General of Information and Press.

(D) Continuing problems with Saigon based US and foreign journalists in their coverage of the Vietnam problem as a whole.

Regarding these problems, we have been doing the following:

(A) JUSPAO, in support of the Directorate General of Information and Press, is in a position to present the achievements of the GVN to the public, both in Saigon and the provinces. However, while this is a potentially serious problem, in view of the grumbling that has begun among the general public, only steady and concrete progress by the GVN across the board will give the Directorate General of Information and JUSPAO something to work with.
Thirty-sixth Weekly Telegram

This is a public affairs problem, but its ramifications and ultimate resolution depend on action in other areas.

(B) You and Dean Rusk have been most helpful in providing us with public statements which underline our continuing policy of support for the GVN and our commitment to close and detailed consultation on issues of common interest. Through release of these statements on a wide scale, as well as briefings and press backgrounders by senior members of the Missions in Saigon and JUSPAO personnel in the field, we feel we have been able to keep GVN and Vietnamese public sensitivities in this area from being excessively hurt. This is a continuing problem, requiring constant attention, across a broad range of matters.

(C) The Directorate General of Information and Press—JUSPAO's counterpart—was reorganized in November 1967 for the eighth time in five years. It remains to be seen whether the new organization will be better and more stable than its predecessors, but, in any case, such frequent changes are not conducive to effective planning and consistent performance. JUSPAO has full time media advisors with the Directorate General in Saigon and with the Vietnamese Information Service in the provinces, ready to assist.

(D) Through statements, briefings and backgrounders by senior members of the mission staff, as well as the continuing media services provided by JUSPAO, we have sought and are continuing to seek to assist U.S. and foreign journalists based in or visiting Saigon to present an accurate, balanced picture of the situation here. We have our ups and downs, but there is a chronic problem involved in presenting this situation through a press corps which is jaundiced, hypercritical, and I am sorry to say among some few even emotionally committed to advocacy of our failure in Vietnam. Visible signs of forward progress on both the military and political fronts will greatly ease our problems here. I know you have a similar problem in the U.S. with the press and with elements of Congress and the general public, some of whom have visited us here. We are doing our best on this problem. I think we may have made a little progress, but this is a case where nothing succeeds like success.

We see the following prospects for action on the problems described above:

(A) As I have noted in the political section, while there is prospect for development of momentum in the implementation of GVN programs, it will not be spectacular. Nevertheless, the achievements of the GVN, even though modest, if carefully presented to the public by the GVN and JUSPAO should blunt, if not fully dispose of some dissatisfaction now being expressed.

(B) I believe that the response we have made to sensitivities regarding Vietnamese sovereignty has considerably soothed potential points of irritation, and I believe the Vietnamese generally accept our statements that we will consult closely with them on all questions of mutual interest. With continued care, I think this problem of Vietnamese sensitivities across a range of questions can be held to manageable proportions.

(C) The GVN Directorate General of Information is under a reasonably capable and [two words excised] director who has the potential to turn in a
good performance in the job. I believe he will be given every opportunity to
do so by President Thieu and Prime Minister Loc, and I look for somewhat
greater stability in the GVN information field during 1968 than in previous
years.

(D) I anticipate continuing problems with U.S. and foreign journalists sta-
tioned in Saigon and only expect improvement in their attitude as our overlap
effort begins to pay dividends. This is a problem which will require constant
attention and effort for what will probably be modest returns. But as in the
Dominican situation I am confident that the facts will speak for themselves.

I apologize for the length of this message, but I wanted to try in a prelimi-
nary way to pull together the more important factors we are dealing with here
in order to give you some overall view of the picture as we see it.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY THIRTY-SEVENTH WEEKLY TELEGRAM, FEBRUARY 4, 1968

Because of the emergency caused by the widespread enemy attacks which began in the early hours of January 31, I have regretfully had to delay this week's message. It thus covers a period of ten days from January 25.

The early days of the period, although witnessing a continuation of the massive build-up of enemy strength along the DMZ and the northern part of I Corps, with anticipatory preparations for the Tet holidays underway, began in an atmosphere of relative calm. It began, however, with what to me was an occasion of great significance, an occasion largely overlooked as so many important developments here tend to be because of the concentration on the military situation. Appearing as the nation's freely elected President before the freely elected legislative branch, President Thieu delivered his first State of the Union message. It was a sober, positive, and constructive speech, wide ranging and comprehensive in scope, outlining plans to benefit the Vietnamese people. He began by a reference to the constitutional framework now in place and expressed the hope that the Executive and Legislative branches can work effectively together to serve the nation. He indicated his plans to move quickly in establishing the other institutions called for in the Constitution, notably the Judiciary, the Inspectorate, and the Advisory Councils. But he noted that the democratic system cannot exist only through an external form; that it demands fundamental changes in organizations and laws as well as in political structures and habits; and he noted the importance of the development of political parties.

While he mentioned some of the substantial achievements which had already been accomplished, the main thrust of his speech looked to the future. Here he covered both plans for the longer term and short range priority programs on which the Government proposed to concentrate in the next six to seven months. These included judicial and administrative reform, expansion of educational opportunities; the development of industry and agriculture; the stimulation of land reform; in the social field, vigorous measures to improve the refugee situation; to expand public health measures; to improve the condition of labor; and measures and incentives to bring the youth into the service of the nation. To carry out these programs, he presented a budget of 95 billion piasters which the Assembly is scheduled to take up as the first order of business when it resumes its session February 6. It is almost certain, however, that by mid-year the Government will have to submit a supplementary budget.
February 4, 1968

since the amounts provided in its present submission for the military effort are inadequate.

In dealing with the Government's position on the question of peace and negotiations, Thieu stressed the fact that the GVN is merely acting to defend itself against aggression and re-affirmed by Government's adherence to the principles established by the Manila Summit Conference. Implicit in this program is the desire and intention of the GVN to strengthen its position before any negotiations open. The contrast between Hanoi's methods and that of President Thieu's government is very great and, I hope, instructive to the critics of this regime and our effort in support of it.

The massive, countrywide terrorist attacks on centers of population which began in the early morning hours of January 31 have been fully reported. I will not attempt to duplicate this reporting here. It is obvious that they were premeditated and planned well in advance. It is equally clear that they were coordinated and correlated with the massive and open invasion in northern I Corps by North Vietnamese forces.

It is evident too that the initial success of the attacks was due in part to the element of surprise and to the fact that they were made in flagrant violation of the Tet truce period which Hanoi as well as the GVN had proclaimed. I think it is fair to say also that there was some failure of intelligence on our side, for a sizeable number of GVN troops and many GVN officials were on leave.

That these widespread, concerted attacks will result in a massive military defeat for the enemy is evident in the casualty figures reported Saturday morning. From 6:00 p.m., January 29, the beginning of the Tet truce period, to midnight, February 2, according to our figures, 12,704 of the enemy were killed, and 3,576, many of whom will become prisoners of war, were detained; 1,814 individual and 545 crew-served weapons were captured. Allied losses were 983 killed of which 318 were U.S., 66 ARVN, and 4 other Free World; the number of Allied wounded was 3,483. Enemy casualties for these few days are considerably larger than for any previous month of the war. Based on the enemy casualties, I asked General Westmoreland for an estimate of the total number of enemy committed and he said he thought that this was probably in the neighborhood of 36,000.

Enemy military operations have been well orchestrated with their psychological warfare. As you know, for a considerable period, both Hanoi and the NLF have spread rumors that negotiations and a resulting coalition government were imminent after Tet. The inference, of course, was clear: If peace is so near, why go on fighting and getting killed? When the attacks came, the Liberation Radio called for everybody to rally to the revolution, alleged that many ARVN troops had defected, and of course claimed great victories, that the “U.S. bandits and their lackeys had never before been dealt such stinging blows.” Liberation Radio also spread the rumor that U.S. forces were cooperating with Viet Cong attacks in order to put greater pressure on the GVN to agree to a coalition government; and Hanoi Radio announced the
formation of a “Front of National, Democratic and Peace Alliance” in Saigon and Hue.

Given the fact that the enemy has suffered massive military defeat, the question arises whether he has secured in spite of it a psychological victory; whether people’s trust in the invincibility of the Allied forces has been shattered; whether their confidence in the ability of the GVN to provide security has been shaken; or whether on the other hand Viet Cong perfidy in flagrant violation of the truce during the traditional Tet holiday, their use of pagodas, hospitals and residential areas as sanctuaries and their terrorist tactics have aroused people’s indignation and resentment. While our information at this point on the reaction of the Vietnamese, especially in the provinces, is sketchy it seems apparent that both reactions have occurred. But it also seemed to all of us here that if the GVN would take prompt action, if Thieu would give evidence of strong leadership, would call in all elements in support of the Government, that what might have turned out to be a pyrrhic victory for the GVN and its allies could be turned into a psychological victory as well.

It is for this reason, as I have reported, that I saw Thieu Thursday morning and told him that I thought this was the psychological moment for him to demonstrate his leadership and to galvanize the nation by a statement which would constitute a declaration of national unity. I said it would not only reassure the civil population, especially in the provincial centers, but could also be a positive declaration to give life and meaning to the main programs and priorities he had spelled out in his State of the Union message. I suggested that he might want to meet with leaders of both Houses of the Assembly and perhaps have them associate themselves with his declaration and intentions. I think Thieu was impressed with the arguments for taking advantage of the present situation to mobilize greater popular support. The next morning, he held a meeting of the National Security Council and included the Presidents of both Houses of the Assembly to lay out an action plan of relief and recovery for the civil population. In the afternoon, he recorded a speech to the nation which was delivered on TV and radio the same evening.

As I have reported, at a meeting of the Mission Council yesterday morning we agreed that it would be useful to propose to Thieu that a Joint Task Force be formed, reporting to him, that could address itself to problems across the board in Saigon and the provincial centers affected by the VC attacks; and that he might want to consider delegating supervision to Vice President Ky. On the GVN side the appropriate ministries could be instructed by the Prime Minister and Ambassador Komer would serve for us as his opposite number. General Westmoreland and I therefore saw Thieu and proposed that we jointly set up such a Task Force. We went into considerable detail with him regarding the scope of measures which could be taken to turn the psychological situation around and to gain the people’s participation and support; and said that with the resources we both had we should be able to demonstrate quickly that the Government was on top of the situation. Thieu reacted favorably to our suggestion and agreed that we would meet the next morning (Saturday) to
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go into the matter in greater detail. General Westmoreland, Bob Komer, and other members of the Mission Council and I met with President Thieu and his colleagues Saturday morning. With him were Vice President Ky, Prime Minister Loc, Secretary-General Nguyen Van Huong, Defense Minister Vy, Foreign Minister Do, Chief of the JGS Vien, Minister of Interior Vien, Minister to the Prime Minister Cang, Director-General for Information Linh, Brig. General Thung (ARVN PolWar Department). Thieu opened the meeting by saying that they had considered the proposals we had made the day before, outlining what preparations the GVN had been making, agreed that a Joint Task Force should be set up which would report to him, and that Vice President Ky would serve as the supervising head for the GVN. Overnight General Westmoreland had had our suggestions put into diagrammatic form and made an excellent presentation to the President and his colleagues. With no hesitation at all, it was agreed that we should proceed immediately, the meeting was adjourned, and Ky, Bob Komer, and some of their associates went to Ky's office to begin work on establishing the organization. One interesting thing we observed was the fact that on the GVN side the group included some who until now had scarcely been on speaking terms, but now seemed to be working closely together. This is at least a hopeful sign. Thieu informed me also that both Houses of the Assembly would convene as soon as members could get into Saigon from the provinces.

As of the moment, there is still cleaning up to be done in Saigon and elsewhere in the country, especially in Hue and in some of the Delta provincial capitals. General Loan estimates that there are still eight Viet Cong companies in Saigon on the edges of the 7th and 8th districts, varying in strength from 50 to 130 each. He believes that he may be able to eliminate these by Monday or Tuesday of next week. But General Cao Van Vien believes that the enemy has the strength to stage a second wave attack on Saigon and that elements of the 5th, 7th and 9th VC divisions still could be committed to such an attack. In the meantime, the curfew has been lifted from 0800 to 1400 hours. People are moving around, trucks are being sent to some districts of Saigon to sell rice, pork, bread, and frozen chicken to the people, and the Ministry of Social Welfare is making strenuous efforts to provide food and shelter to victims of the fighting in the city. People have been advised of points in the city where they can find food and shelter. Another encouraging factor is that General Loan reports that the police are getting many telephone calls from people alerting them to locations where VC are holed up, a good indication that there has been no "popular uprising" in support of the VC.

One naturally considers what the motives and purposes of Hanoi and the Front have been in staging these massive attacks and apparently preparing momentarily to launch extremely heavy ones in northern I Corps. Were they prepared to suffer these tremendous casualties in order to gain a psychological and propaganda victory? There are some evidences that they might actually have had some expectation of popular uprisings, and in any case they are publicly claiming that these have occurred. The British Ambassador, who has had
much Asian experience, remarked that the VC, having made these claims, will suffer, in Asian eyes, a very serious defeat if they prove to be not true. Had they planned these offenses hoping to put themselves in a strong position to enter negotiations, hoping to force a coalition government by demonstrating that the NLF commands the loyalty of the South Vietnamese people and must have a major voice in any peace settlement; conversely hoping to demonstrate that the GVN is a weak puppet government and be ignored? Or is this part of a longer winter-spring offensive which would endeavor to exert pressure to the extent of the enemy's capabilities at least until our elections, hoping if possible to score some major victory, but in any case to inflict heavy casualties on our troops in the expectation that they might create adverse psychological reactions in the United States and thus a change in policy?

I am inclined to the former theory. It seems to me that the primary purpose of this particular operation was probably psychological rather than military, that it was designed to put Hanoi and the Front in a strong position for negotiations by demonstrating the strength of the Viet Cong while shaking the faith of the people in South Viet-Nam in the ability of their own Government and the U.S. to protect them. This would be consistent with the determination on their part to press toward peace talks.

In my talk with him today, Thieu expressed somewhat similar views. He felt that Hanoi and the Front are tired and would like to get into negotiations, that while their power has been steadily diminishing, they still have the capability to mount operations such as the recent one and the current invasion of I Corps. They are, therefore, willing to make a major effort and to take heavy losses in the hope of gaining enough advantage, especially psychological, both here and abroad, to put themselves in a strong bargaining position at the table. Failing in this, Thieu believes that they will endeavor to keep on as much pressure as they can during the summer in the hope that they can at least give the impression of a military stalemate, so as to maintain themselves in a strong bargaining position. We are sending in a more detailed, though preliminary, discussion and estimate of our views of the enemy's purposes (Saigon 17908).

Progress continues to be made at cleaning up the situation, though as I mentioned above, there is a possibility of a second wave attempt by the enemy. General Westmoreland reports that the enemy has not yet committed his 7th Division in the III Corps area. In the meantime, enemy casualties continue to mount. As of this morning, February 4, our reports are that to midnight February 3, the enemy had suffered about 15,000 killed, approximately 4,000 detainees, with 3,000 individual and 646 crew-served weapons captured. General Westmoreland is having an audit and spot checks made of the country and believes that these figures are conservative. They are substantiated to some extent by the high count of weapons captured. On our side, casualties for the same period amounted to 1,116, of which U.S. were 367, ARVN 738, and Free World Forces 11. Enemy losses for the previous five days have been approximately 50 percent greater than the highest casualties.
he has suffered in any month of the war to date. He has thus met with an extremely heavy military setback.

Since I began dictating this section yesterday, rapid progress has been made in the establishment of the Joint Task Force. At the meeting presided over by Ky, which followed our joint meeting with Thieu, reported earlier, rapid agreement was reached on the setup of the organization. Ky will head it up with the Prime Minister and Bob Komer at the policy level. General Thang and General Forsythe will act as the operating heads. The public image will be that of a Vietnamese organization, but we will have opposite numbers at every level. In effect, the Vietnamese people have accepted all of our functional and organizational suggestions but they will be out in front and we in the background back-stopping and supporting which is as it should be. It was agreed that daily breakfast meetings will be held to review the situation and to make necessary plans. Bob Komer reports that the first meeting was held this morning (Sunday) and that Thang and Forsythe have already gone into action. Two thousand five hundred cadre are to be brought from Vung Tau to help with operations in the Saigon area. Ky is to go on TV tonight to explain the organization and what the GVN, through it, will do to provide prompt relief to the civilian population and to get the country back to normal as quickly as possible.

In closing this section, want to say a word in tribute to all members of the U.S. Mission here, military and civilian. To every demand made upon them they have responded with great courage, calmness, devotion, and determination. They have worked long hours and performed difficult and exhausting tasks willingly and cheerfully with never a word of complaint. Throughout the country, they have been exposed to great dangers and hazards and have met every challenge fearlessly and with a high sense of duty. They deserve well of their countrymen and I am immensely proud and humble to have the privilege of being at the head of such a Mission.

As I reported (above) after the initial stunning impact of the Viet Cong attack on the cities had passed, Vietnamese leaders at least here in Saigon began to show a most encouraging willingness to close ranks and work together. The Assembly in particular has rallied to the government in an effective way. The Chairmen of both Houses issued a communiqué on the morning of February 3 which denounced the “treacherous scheme of the Viet Cong, who proposed a seven-day ceasefire in order to take advantage of that opportunity to carry out a pre-determined military plan.” The statement went on to say that the Assembly is “cooperating closely with the Executive to carry out effective measures aimed at restoring security and order,” and called on the people to support the government.

Earlier, on February 2, the Senate National Defense Committee issued a resolution calling on the government to strictly apply the 24-hour curfew and use all necessary means to restore security. The Lower House met February 3, but took no action because they did not have a quorum, many deputies still being in the provinces where they had gone for the Tet holiday. Under the
rules, the House may take action without a quorum on the second such day, and the Lower House is in fact meeting again this afternoon. They are expected to issue a statement of support for the government.

Individual legislators and opinion leaders have also voiced to us their desire to back the government and get the situation here back to normal. Former deputy premier and leading political figure Tran Van Tuyen told an Embassy officer yesterday that he and many of his supporters are most anxious to take part in any effort to restore the situation. He complained that the government was not taking the lead in mobilizing those who are outside official ranks but who nevertheless want to “struggle” against the enemy. I hope that this kind of spirit will prompt a broad and effective response to the government’s appeal for help from such citizens when the Task Force operation center is set up. We will certainly be encouraging people such as Tuyen to pitch in.

There is of course a good deal of criticism of the government as well. [name deleted], for example, told an Embassy officer on the morning of February 2 that the attacks clearly revealed the “weakness and ineffectiveness” of the government security apparatus. He went on to speak of a possible vote of no-confidence in the government because of its failure to protect the population. At the same time, however, he observed that the people were outraged by the Viet Cong use of the Tet holiday and it is up to the government to actively seek their assistance so as to share with them “anti-communist responsibilities.”

[name deleted] pointed out to an Embassy officer that despite Viet Cong propaganda, there seems to have been no instance in which the Viet Cong were welcomed by any part of the city population and there were apparently no defections from police or military ranks. From the limited reports available from the provinces, this seems to be the case throughout the country. I think it clearly gives the lie to the Viet Cong claim that the people support their cause.

Some citizens and officials are not waiting for the Central government to organize their active support. Senator Nguyen Van Huyen, for example, was off early this morning to visit the wounded and make his own survey of the needs of the Saigon population. Mayor Cua has been at his office day and night, along with most of his staff. Dr. Nguyen Duy Tai, a man close to Tri Quang and not noted for any pro-government sympathies, was busy getting water to hospital operating rooms that had none—his own clinic being well supplied. Thich Tam Giac announced that his pagoda would provide shelter and food to victims of the fighting. Thich Tam Chau put out a communiqué calling on all Buddhists to support the government and oppose the communists. (The whereabouts of Tri Quang and some other militant Buddhist leaders of the An Quang faction is unknown at this time, however.)

Although our reports from the provinces are scattered, there is no denying that many people see the events of the last few says as initially a substantial Viet Cong victory despite the heavy losses suffered by the enemy. The fact
that the Viet Cong were able to enter and in some cases hold for extended periods so many provincial capitals has certainly shaken the confidence of the people in the ability of the government to provide security. At the same time, as noted above, there is no evidence that anyone welcomed or helped the Viet Cong in the province towns. The political and psychological damage in the provinces can be repaired, but it will take time and vigorous government action.

One continuing problem will be the need to dispel the rumors and half truths floated by the Viet Cong. The Viet Cong radio at one point announced that American forces were cooperating with them to set up a coalition government. This of course played on the worst fears of the nationalists here, and I felt it essential to respond at once to the Prime Minister's request for an official statement of denial and support for the GVN. Another similar rumor is being heard in many parts of the country, to the effect that we deliberately allowed the Viet Cong to enter the cities in order to put pressure on the government to come to terms with the NLF.

The communists are also busy trying to back up their claims that the populace met them with open arms. Hanoi radio claims the formation of a number of "popular" organizations, including peace fronts and peace forces in Saigon and Hue. In Hue the "Peace Alliance" is allegedly headed by a Hue University professor who was active in the 1966 Buddhist "struggle." Radio Hanoi has also alleged the formation of "uprising committees" in Saigon and other cities. Any further outbursts of terrorism which the enemy may be able to mount—and I anticipate a strong effort to make further attacks, even if they are only token—will probably be portrayed as the work of these phantom organizations. We must mount a major psywar offensive and I strongly urged this on Thieu and his colleagues at our joint meeting yesterday.

Concern that the US will force an unacceptable settlement on South Viet Nam remained very high during this reporting period. Although President Thieu has told me he thinks the crest of this wave is past, I am not yet certain that this can be said with a great degree of confidence. The pre-Tet press continued to express misgivings about our intentions. On January 21 the politically important Catholic Greater Solidarity Force held a "seminar" in the Saigon City Hall and adopted a resolution which strongly opposed any recognition of the NLF and warned against a coalition government. Among the participants in the "seminar" were influential Senators Nguyen Gia Hien and Tran Van Lam. The Senate Foreign Affairs Committee on January 24 heard Foreign Minister Do's views. This session was part of the committee's investigation of the government position in the face of rumored US pressure for GVN contact with the NLF and the formation of a coalition government. Active and influential Senator Nguyen Van Ngai in particular questioned Do closely on the possibility that the US would force a coalition government on South Viet Nam.

The government itself obviously continues to be very sensitive on the question of a coalition government. In both his Tet message to the nation and in
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a series of speeches made during a trip to I Corps just before Tet, President Thieu made strong statements opposing any form of coalition government. These statements were picked up by Viet Nam Press. In his Tet message to the nation Thieu said, "The purpose of my visit [to I Corps] was to reiterate the government commitments and the determination of the Armed Forces to never accept a coalition with the communists nor to surrender to the communists any inch of our land." Earlier, on January 27, Viet Nam Press carried a statement by Prime Minister Loc: "Coalition with the communists would amount to suicide and would be a form of surrender to the communists." In his January 31 emergency message President Thieu threatened severe punishment for all political movements aimed at helping the communists through the so-called "Peace and Coalition Government."

Fears of coalition government and a "false peace" have been fed somewhat by the "Professors' Appeal." Before Tet sixty-five university teachers issued a simplistic and emotional appeal calling for "all the belligerent parties to extend indefinitely the Tet ceasefire and to negotiate immediately a peaceful settlement." The appeal suggests no prior conditions for the ceasefire, a situation that would of course permit the communists to continue infiltration and terrorism.

The group issuing the appeal is very young and junior in academic circles, and most of the signers are both relatively unknown and politically naive. Among the signers are some extremist Buddhists with very shady backgrounds. Nevertheless the government felt it necessary to respond directly to their statement, and on January 27 the Ministry of Interior put out a communiqué spelling out the government position on the Tet truce. The communiqué refers directly to the professors' appeal and notes that "the President of the Republic and the government of the Republic of Viet-Nam have affirmed and reaffirmed that the question of a coalition with the communists will never arise and that the government of the Republic of Viet-Nam will never recognize the so-called National Liberation Front."

As I have mentioned, in his State of the Union message, President Thieu referred to the importance of political party formation. While noting that "at present we do not have strong political parties to assume power and form the opposition," he expressed his conviction that such parties will be developed.

Thieu, in part persuaded by our representations, has in fact decided to form a party to support his program and policies. He has appointed his Secretary-General, Nguyen Van Huong, to serve as the chief organizer of this pro-government party, and we understand from Huong that he intends to convene a preliminary Party Congress which will launch the party sometime in March. While Huong is not an ideal choice for a party organizer, we are hopeful that Thieu can put together a strong national organization which will back his program and his candidates in future elections.

Senator Tran Van Don is also moving ahead in organizing a political machine. In addition to his Nong-Cong-Binh group which did so well in the Senate race and which reportedly has a number of affiliated members in the
Lower House, Don is apparently having some success in finding new allies and in developing another organization, the Freedom Fighters.

Don is known to be trying to bring both militant An Quang and moderate Tam Chau Buddhists in line behind his group, and he seems to have captured some support from individuals though he certainly cannot claim the backing of either Buddhist organization. In the Senate he has formed an alliance with Dai Viet leader Nguyen Van Ngai and put together a Senate bloc of 19 Senators. While the degree of cooperation between the Dai Viets and Don's supporters outside the Senate is still unclear—and both sides are evidently planning to use each other and maintain a degree of independence—the alliance could flower if more common interests develop.

Don formed a veterans' organization before his Senate campaign but did little with it. Recently, however, he held a meeting of this group, the Freedom Fighters, at which he claimed a total of 20,000 members throughout the country. Statements in the Freedom Fighters "platform" issued at the meeting suggest that Don may hope to use all of the various groups under his influence as a nucleus for a broadly based political party. He has also been talking with Tran Quoc Buu about using the CVT labor organizations in the provinces as nuclei.

Don's apparent success would be encouraging if we were more certain of the source of his funds. He has been spending a good deal more money than we think he and his chief allies have, most recently purchasing a very expensive newspaper which will soon begin publishing under Don's aegis. We will be trying to learn something more about where these funds are coming from.

Economic movement is usually almost at a complete standstill during the Tet holiday, so the initial impact of the Viet Cong attacks was not too great. Now, however, it is urgent to get supplies moving normally into the cities. The government is giving such movement a high priority, and while there will probably be some transitory shortages, we do not anticipate any prolonged squeeze.

Before Tet the Saigon retail price index stood at 326, up from the 318 of the previous week and the 308 of my last regular weekly report. This was the result of the Tet holiday, a period when prices traditionally move up sharply. (The upward price movement was the result of increases in commodities other than rice, which declined six to nine percent this week.) The upward movement of the retail price index was countered by a continued fall in the import price index, which dropped to 219 the week before Tet. Gold also continued to fall, from 214 to 211 to 208.

Six thousand demonstration rice kits, each sufficient to plant 1/10 hectare, will be made available to farmers in most provinces in Viet Nam this spring. The kits, containing Than Nong (IR-8) rice seed, will be a major promotional tool in the coming campaign for farmer adoption of the new rice varieties in the country. Materials will include 4 kilos of Than Nong rice seed, plus chemical fertilizer and insecticide.
During the period January 8–14, there were 291 Chieu Hoi returnees, and for the period January 15–21 there were 276. This compares with 420 and 592 for the same periods last year. The total for this year is 1,033. Unfortunately, the Chieu Hoi rate has not yet experienced any Tet upsurge like that of last year. Last year's rate was twice as high during January and jumped to over 1,000 per week during and after Tet. Chieu Hoi Minister Phong attributes the current low rate to the intensified VC anti-Chieu Hoi campaign, increased enemy military operations and the apparently successful VC propaganda ploy regarding negotiations and coalition government. Phong proposes, and we agree, to mount a post-Tet psywar campaign playing up non-fulfillment of the VC promise of coalition government.

In the week ending January 20, the Viet Cong killed 131 Vietnamese civilians, wounded 180, and kidnapped 187. For the week of January 21–27, the figures are 147, 206, and 179, respectively. (Since January 1 this year, 501 civilians have been killed, 1,030 wounded, and 593 kidnapped by the enemy.) During this two-week period the enemy killed 434 Vietnamese military personnel, making a total of 722 Vietnamese killed by the Viet Cong during the period January 14–27. This may be compared with 334 Americans and 4,386 enemy killed during the same period.
XXXVIII

FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY THIRTY-EIGHTH WEEKLY TELEGRAM, FEBRUARY 8, 1968 Because of the emergency situation caused by the Viet Cong Tet attacks, my last report was sent to you on February 4, just four days ago. Nevertheless, I think enough has happened in the meantime to justify a short report at this time. As more facts concerning the massive Tet offensive of the enemy come to light and the story unfolds, a number of things become evident. Information is being steadily accumulated as reports come in from the country and Saigon. Consequently, what were somewhat tentative assumptions a few days ago begin to take more definite shape.

It seems fairly clear now that:

(a) Plans for the offensive were worked out long in advance and with meticulous care. Instances have come to light in which enemy units were infiltrated disguised as civilians to reconnoiter targets, withdrawn, and re-infiltrated again as civilians immediately before the attack.

(b) Commitment of enemy troops was considerably larger than the estimate I reported in my last message. Estimates now are that 52,000 enemy troops, plus another possible 10,000 guerrillas, for a total of approximately 62,000 enemy forces, were committed to these widespread attacks.

(c) The enemy believed that there would be uprisings in their support and that they would be able to take over many of the cities. This is supported by captured documents and prisoner interrogations which indicated that enemy troops were told they would find popular support, that there would be defections from the ARVN troops, and that reinforcements would follow. Unlike previous heavy attacks, they had no orders covering possible withdrawal. The tenacity with which the VC/NVA have held on to some of the areas they have captured (as in Hue and parts of Saigon) also suggests that the leaders envisaged a seize-and-hold and not a hit-and-run operation. Given the forces available to the VC/NVA, this would not be possible without massive popular and ARVN support. The enemy radio constantly pounded on the theme that the masses were rising to help the Viet Cong, and the government forces were defecting to join with the Communist troops.

A particularly interesting captured document is the order of the day from the headquarters of the South Viet-Nam Liberation Army to all military forces in South Viet-Nam. The document has a tone of urgency and calls all enemy troops “to liberate the 14 million people of South Viet-Nam” and “fulfill our revolutionary task.” It refers to the attacks as the greatest battle in Viet-
namese history and states that the assaults “will decide the fate and survival of the Fatherland.” It exhorts the enemy forces “to achieve the final victory at all costs.”

(d) No popular uprisings took place in any city, nor did the security forces defect to the enemy. Initially, many Vietnamese were frightened and impressed by the enemy’s ability to attack on such a wide scale, and their confidence in the ability of their government and the United States to provide security was shaken. Now they have observed that the enemy was not able to stand in the face of our forces but has instead fallen back and has been able to remain in none of the cities he has tried to seize. The reaction consequently has changed from one of apprehension and doubt to anger, indignation, and resentment at the treachery of the enemy’s attack during the Tet holidays, at the widespread destruction he has caused, and the terrorist tactics he has employed.

(e) The enemy has suffered a major military defeat. He has suffered losses on an unprecedented scale. From the early morning hours of January 31 until midnight of February 7, the enemy lost nearly 25,000 KIA, nearly 5,000 detainees, more than 5,500 individual and nearly 900 crew-served weapons. These losses are two and one-half times that of any previous month. Although these losses seem extraordinarily high, they are substantiated to a considerable degree by the number of detainees and weapons captured. Friendly losses have been 2,043 killed (703 U.S., 1,303 ARVN, and 37 FW), less than one-twelfth of the enemy’s. General Westmoreland tells me that this estimate of enemy KIA is computed on a very conservative basis, since neither enemy killed by airstrikes nor artillery have been included. This has been a heavy blow for the enemy, particularly as many of the men killed were among the best they had, carefully trained regulars and commandos, many of them from North Viet-Nam. From a military point of view, he has gained little in return for his heavy expenditure of men and equipment.

(f) In inflicting this severe military defeat on the enemy, our forces everywhere turned in a superior performance. A highly encouraging development also was the very commendable performance of ARVN forces. General Westmoreland reports that all the ARVN Division Commanders were on their toes and performed well, as did the Corps Commanders. General Abrams has been visiting the ARVN Divisions. He returned yesterday from II Corps with glowing reports of the performance of the ARVN 22nd and 23rd Divisions. The Commander of the 23rd Division, with headquarters at Banmethuot, allowed no Tet leave and, anticipating an attack, had deployed his troops outside the city. Had he not done this, destruction would have been much greater.

(g) Although the enemy has suffered a heavy setback, he still retains the capability of launching a second wave attack in Saigon and in the III Corps area. Elements of three enemy divisions, the 45th, 7th, and 9th, are in the III Corps area. In northern I Corps, in the DMZ, and the Khe Sanh area, he still has four divisions and farther south is threatening to exert pressure on Da
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Nang. As I have previously reported, it is Thieu's opinion that the enemy will endeavor to keep up pressure throughout the summer in I Corps and the central Highlands. In my talk with him yesterday, he added the view that in addition to this pressure, he believed the enemy would continue efforts at harassment and infiltration against the cities in order to pin down friendly troops in defense of the populated areas and would also endeavor to recover territory in the countryside, in what he called a "counter-pacification effort."

(h) Enemy attacks have resulted in heavy damage in many cities and towns. We do not yet have an accurate count of the number of houses destroyed or refugees created, but we do have enough information to know that there has been very considerable property damage. As of this morning, the refugee count in the Saigon metropolitan area was 93,000 and for the country as a whole about 190,000. Thus far, with 31 provinces out of 50 reporting, even though sketchily, we estimate the number of evacuees (many of whom will return home as soon as fighting subsides) may reach between 250,000 and 300,000. About 15,000 homes are reported destroyed though this figure will undoubtedly increase. Civilian casualties compiled from preliminary figures total almost 800 dead and 7,500 injured, though this also is probably much under the actual total. Some important installations, such as hospitals, radio stations, and power plants, have also been damaged. The GVN, however, has taken prompt measures to deal with all these problems through the Joint Task Force, which I mentioned in my last message, and to which I shall refer in more detail later in this report.

It may be argued that the enemy objective was not primarily military, that his military defeat is more than compensated by his political and psychological gains. But I believe clear evidence is emerging that Hanoi expected to take and hold a number of cities. Enemy documents and interrogations clearly suggest that at least middle and lower level cadre and officers thought this was to be the final push to victory. The order of the day of the South Viet-Nam Liberation Army would lend credence to this view. Some Vietnamese leaders who know the Communists well tell us that they think the Communists expected to take the cities and so end the war. This, in fact, seems to be a fairly general interpretation among our contacts.

As I mentioned in my last message, however, Thieu leans to the theory that the Tet attacks represent an effort to get into a more favorable position for negotiations. He believes that the enemy realizes his strength is ebbing and so took a desperate gamble so they could at least give the impression abroad of great and growing Communist power in South Viet-Nam.

I think the two interpretations are not mutually exclusive. It seems possible that Hanoi would actually expect that the Vietnamese people would in many cases side with the invading forces, either out of fear or because of grievances against their own government. The experience of the Buddhist "struggle" movement in I Corps in 1966, when military and police units sometimes sided with the anti-government forces, may have encouraged Hanoi to believe that it was possible to trigger defections from the GVN security
forces. Thus their maximum objective may have been the occupation of some major urban centers and the collapse of the GVN.

But the primary objective of winning the war in one great series of attacks on the cities does not preclude a lesser objective. Hanoi may well have reasoned that in the event that the Tet attacks did not bring the outright victory they hoped for, they could still hope for political and psychological gains of such dimensions that they could come to the negotiating table with a greatly strengthened hand. They may well have estimated that the impact of the Tet attacks would at the very least greatly discourage the United States and cause other countries to put more pressure on us to negotiate on Hanoi's terms.

But I am convinced that there is now a great opportunity not only to frustrate Hanoi's expectations, but to compound the enemy's military defeat by also turning it to political and psychological advantage for the GVN. Much depends on the promptness and effectiveness with which the GVN acts to return the situation to normal, to set about the task of reconstruction and to care for the victims of the fighting. I have urged on Thieu that this is the psychological moment to assert aggressive, dynamic leadership, to mobilize and energize elements of the government and to let the people know that he proposes to push ahead with the programs he outlined in his State of the Nation message. I have stressed the importance of capitalizing speedily on the mood of anger and resentment at the Viet Cong treachery at Tet which is sweeping the nation. And I have urged on him the importance of keeping the people informed about the GVN's programs to help them; that through frequent brief appearances on radio and TV he should tell the people what is going on and seek their support.

I have also suggested to Thieu that other Cabinet members supervising emergency activities should speak to the people about their programs and that notables in Vietnamese life should be involved in all these activities and should be encouraged to stimulate efforts by the population. I offered our assistance and participation on these information activities in any way that he thought useful, and left him with a memorandum of specific suggestions.

I also suggested to Thieu yesterday he might want to consider broadening the base of his government by associating with it in some way prominent and influential civilians such as Nguyen Luu Vien, Tran Van Huong, Mai Tho Truyen, Ha Thuc Ky, Tran Van Tuyen, Phan Quang Dan, [name deleted] and others. Thieu said that perhaps such individuals could be asked to serve as an Advisory Council to the government and that he was considering convening a congress of notables, something along the lines of the congress which had been convened in 1966 to promote the movement for elections for a Constituent Assembly to draft the Constitution. He also noted that Ky had gone on television on February 5 to inform the people of the GVN's relief and recovery effort and that he himself will address a joint session of both houses of the Assembly on the morning of February 9.
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Our pacification organization has turned itself into a relief operation for the time being. Bob Komer is managing U.S. support of the GVN’s relief and recovery effort under Vice President Ky and has established a command post in the Palace with Ky. A small group of bottleneck-breakers and problem solvers are working there to pull together civil-military operations on both GVN and American sides. One basic issue in getting recovery operations into full swing is still unresolved. Those in charge of clearing operations, General Vien, Military Governor Khang, [Police Chief] Loan, Saigon Mayor Cua and others, are still insisting that tight security measures such as curfews and checkpoints take precedence over relief. Ky and the GVN fear a “second wave” assault on Saigon. Continued VC activity in the Cholon-Pho Tho area lends some credence to their fears. Operating under these restrictions, the emergency committee at the Palace is making headway nevertheless. Curfew has been relaxed in Districts 1 and 2 and runs from 1700 to 0700. Government offices and universities will be open; public utilities are operating 24 hours; buses will operate. In effect, except for primary and secondary schools, about everything will be normal during daylight. It is expected that the curfew will be relaxed tomorrow in District 4 and part of District 3. Twenty-seven rice distribution points were opened yesterday. Rice was sold at 20 piasters per kilo with two kilos, a five-day supply, allotted to each member of a family. RD cadre provided security, checked family rosters, talked to people, and helped with distribution. In some areas, students chipped in to help the RD cadre.

One sideline is of interest. The contractor who furnished 50 laborers for the Thu Duc rice run showed up with a written contract asking for payment of laborers’ wages only with no profit to himself. Instead, he said he was donating his share to the people of Saigon.

The road situation is improving. The main routes into the city are in good condition. Route 4 to the Delta is now open to military convoys to as far as My Tho. The main problem is to restore security sufficiently so that army and police checkpoints can be opened to trucks and barges carrying food and produce to the city. When this is done, private enterprise will soon take care of food distribution.

Dr. Que and the Ministry of Social Welfare and Refugees, now pretty well accustomed to emergencies, are doing an excellent job under still difficult conditions. Mobile teams are working with major concentrations of refugees in Saigon and surrounding urban areas. Two thousand five hundred RD cadre arrived in Saigon Monday by LST and two smaller boats from Vung Tau to assist in recovery operations and are reinforcing the Ministry. The Minister of Health and the Minister of Public Works and their respective ministries have also done excellent work.

In IV Corps, an Emergency Recovery Committee paralleling the national committee, began functioning yesterday with U.S. representation. Today the Committee intends to survey the three worst hit cities, Ben Tre, Vinh Long and My Tho. Throughout the Corps, except in Go Cong and Vinh Binh
where they still hug the cities, the Viet Cong seem to be withdrawing to intermediate areas. Provincial Reconnaissance Units, broken down into ten-man teams, are attempting to follow VC units in order to direct air and artillery on them as they withdraw. Ky visited Can Tho yesterday afternoon and explained recovery plans to Corps and provincial officials.

The III Corps Emergency Recovery Committee is in full operation and emergency needs are being met.

It is a little early to judge the reaction of the people to the efforts of the government. There have been a large number of expressions of willingness to chip in and help, and I think various labor and religious groups are heading in the right direction. At the same time, there is also some tendency to blame the government for failing to anticipate and prevent the attacks, and this may grow if vigorous action is not now taken.

Criticism of the government's failure to provide adequate security was voiced in the Senate at its session on February 6, particularly by Dai Viet Senators Nguyen Van Ngai and Senator Pham Nam Sach. Yesterday the Senators were in a calmer and more constructive mood and there was no irresponsible criticism of the GVN. The draft resolution approved unanimously by the 43 Senators in attendance denounces the savage actions of the Viet Cong and its treachery in carrying out their preconceived attack during Tet; expresses its concern for the refugees and advocates that assistance and protection be a matter of priority; expresses its gratitude to the Armed Forces and all those participating in the defense of the nation; applauds the effective contributions of allied forces, especially the Armed Forces of the United States; and warmly welcomes the movement of unity and cooperation between the people and the authorities for self-defense. It urges public agencies to bring unity to fruition in order to continue to defeat the Communists and construct the nation; heighten the vigilance of the people, contribute financial and material resources to help the victims of recent events; severely punish and prevent corrupt elements to take advantage of this situation, develop a movement of groups and people for armed self-defense.

Fortunately both in the Senate and the Lower House, critics of the government are greatly outnumbered by members who are anxious to do whatever is necessary to help the government in the present situation. These include such "oppositionists" as MRS leader Ly Qui Chung who is busy spreading the word that the attacks were a great political defeat for the Communists because the populace refused to help them. Also encouraging are strong statements of support from Deputies such as Khieu Thien Ke whose latest speech at Danang on February 3 (rebroadcast several times since) is just the sort of thing that is needed.

One of the most encouraging factors of the present situation is the degree of cooperation and better feeling which it has created between President Thieu and Vice President Ky. These two have consistently risen above their personal rivalry to do what is necessary for the nation. This was true during the Buddhist "struggle" in 1966, in the Cabinet crisis of the same year, in
their joint effort to persuade the military to accept the Constitution just after the Guam Conference, and in the final decision to run together on one ticket for the sake of military unity. They are doing it again. I have mentioned previously that I believe they have been working together better than at any time since my arrival here last April. I think there is good reason to hope that this present experience will show them the way to work effectively together in the new constitutional framework in the future. At the moment, it is an important factor in the good beginning which has been made in turning the Tet attacks into a political as well as a military defeat for the Communists.

The economic situation in Saigon one week after the beginning of fighting presents us with some serious worries, but as yet these chiefly concern the future, and events have not yet gotten out of hand. Most Saigon families had large food stocks laid in for Tet, and markets would have been closed most of the week in any case. Therefore, there probably have been few really hungry people, at least among those whose homes have not been disrupted.

The civilian economy of Saigon began to revive as early as Thursday and Friday of last week. Beginning with a few items sold at very high prices, food markets started to operate without official sanction, and by Tuesday quite a large variety of fruit, vegetables, fish and meat, and miscellaneous foodstuffs became available in markets in secure parts of town. Prices range from around pre-Tet levels for a few staples evidently still in large supply, such as sugar, to roughly double pre-Tet prices for fresh meat and fish. In Cholon, where security is worse, prices are reported much higher and the population of Cholon may be on the threshold of severe hardship.

No figures are available this week on the Saigon retail price index or the imported commodity index.

Because of the emergency, latest figures are not available.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY THIRTY-NINTH WEEKLY TELEGRAM, FEBRUARY 15, 1968  As the massive Viet Cong Tet offensive subsides, it becomes increasingly possible to draw certain conclusions. What was blurred a week ago begins to come more clearly into focus. Although it will be several days before we have a fairly accurate country-wide assessment of the physical and military damages certain things are now fairly evident:

(A) That the enemy has suffered a heavy military setback with nearly 33,000 killed, over 5,600 detained, and the loss of more than 8,000 individual and 1,250 crew-served weapons. A large part of the force he had committed, estimated at about 60,000, has been put out of action. A second wave of attacks against Saigon and some other major cities, it was feared for some time might take place, has not materialized and there is increasing evidence, for the present at least, that it may not.

(B) That Hanoi and the Viet Cong made a major miscalculation in expecting uprisings among the people and defections among the Vietnamese forces. While the GVN may not enjoy great popularity among the people in general, there is strong evidence that in the city and countryside alike the Viet Cong attacks during the last two weeks have caused widespread resentment and bitterness toward the VC.

(C) That it seems apparent that Hanoi's maximum objective was to take and hold many of the cities, thereby creating a political situation which would compel the GVN and the US to virtual surrender. The second and fallback objective (and this is Thieu's opinion also) was probably to put themselves in a strong position for negotiations, one in which they could insist as a minimum a coalition government.

(D) That despite the heavy military defeat suffered by the enemy, much damage has resulted throughout the country. The number of evacuees which had climbed to 485,000 yesterday showed a decline to 457,000 today, probably an indication that people are beginning to return to their homes. The number of houses destroyed has now been reported at 48,000 although on the basis of our observations, we believe the figure may be exaggerated. The figures on civilian deaths increased to almost 3,800, and the wounded to nearly 21,000. In addition, there has been substantial damage to industry and to lines of communication. Commercial activity has been slowed, at least temporarily, and will take some time to recover.

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E) The economic situation in Saigon and in most of the country is improving. Food prices, which rose rapidly in the first days of the attack, are coming down. Lines of communication are beginning to be opened up. In looking beyond the immediate crisis, economic prospects are less bright than they appeared a few weeks ago. It will take time to restore damage to industry and the loss of confidence in the business community which the attacks have caused. The Vietnamese economy, however, has demonstrated powers of recuperation in the past and hopefully these negative factors may prove short-lived.

F) That the predominant reaction of the people is that of anger, indignation, and a sense of outrage at the VC, especially its treachery in attacking during the Tet holidays, although there is also apprehension and fear of the possibility of future attacks. There is too surprise that the enemy was capable of attacking on such a wide scale in such force and criticism of GVN intelligence capabilities. But there is also a feeling of pride in the performance of the Vietnamese forces, a new confidence in the GVN, and a welling up of support for it from many quarters. I think it is fair to say, therefore, that the GVN is facing a crisis of confidence. If it reacts quickly and effectively, moves ahead with reconstruction and other constructive programs, the resentment of people at the losses they have suffered will be replaced by confidence and gratitude; if not, the GVN can be seriously weakened.

It is to meet the crisis of confidence to which I have referred that I have been pressing, as strongly as I know how, on Thieu and other leaders in the government the idea that there is a great opportunity to be seized in this situation; that if the government moves quickly to help the victims, moves ahead vigorously with recovery and reconstruction, and mobilizes the potential support available to these efforts, it can score a very significant political as well as military success. I am glad to be able to report that the government has moved ahead on a number of fronts and has received encouraging evidence of support from a good many sources, from both houses of the Assembly, from organized labor, from the intellectual community, from other organizations (it has listed thirty-seven organizations who have offered assistance in the work or reconstruction) and from individuals.

On February 9, Thieu addressed a joint session of the National Assembly. His speech was well received both by the Assembly and the public. He asked for support in general and specifically for the special security measures now required; informed the Assembly of the need to speed up mobilization; to accomplish in six months what had been originally planned for a year; to request that the budget be approved before the end of February; and to request power to enact by decree urgent financial and economic measures for a period of one year. Reaction from members in both houses seems to indicate that Thieu's proposals regarding mobilization and speedy passage of the budget will have little difficulty, but that the Assembly is less favorably disposed to his request for decree power over economy and finance, and that it will want to see this clearly limited and the details spelled out.
Thieu also took an active and effective role in the cabinet meeting on February 11. It is reported by one of the members present that he ran the meeting well, was in full command at all times, and knew what he was talking about. He announced that mobilization will be speeded up, and the bases on which civil defense units would be formed; that he would request the Assembly for emergency powers for one year in order to deal quickly with situations and to avoid debate over potentially unpopular measures such as tax increases; announced that there would be an immediate increase in excise and sales taxes; and asked for cuts in all but absolutely essential expenditures. Thieu also said that he planned to give top priority to implementation of the provisions of the constitution and will ask the Assembly to provide enabling legislation for the establishment of a National Security Council and Armed Forces Council as well as laws governing the press and political parties. And he emphasized the fact that he did not want the crisis used as an excuse to prevent action on the regular program of the government.

In an effort to build confidence, Thieu is getting out in the provinces this week. He is visiting one corps area each day, talking with the officials and people and making an on-the-spot personal assessment of the situation. This is the sort of thing I have been urging him to do, and I am sure it will have a beneficial effect.

I have made the same point in talking with Ky and with Prime Minister Loc. Loc noted that he will be appearing on TV today to talk about the situation and the government's response to it. He mentioned that he has himself visited four of the most affected provinces the day before, and that he plans additional trips through the country.

I have also been advising Thieu to try to broaden the political base of support for his government, that by forming something akin to a government of national union, he could mobilize enthusiasm for the recovery program, for the fight against aggression, and for the government's top priority programs. I suggested several names, which he noted down, including people such as Tran Van Huong, Nguyen Luu Vien, Ha Thuc Ky, and Phan Quang Dan. On a second visit, Thieu told me that he is planning to call in various leaders one at a time to get their views and seek their support. After he has done this, he may ask some of them to join in an advisory council.

I have also been continually urging Thieu to make frequent appearances on radio and TV, to inform the people of what the government is doing, and to show its concern for them, to take them into his confidence.

In the meantime, the Central People's Recovery Committee is moving quickly and effectively in its efforts to provide for the evacuees and in getting Saigon and the countryside back to normal. A shrewd Vietnamese observer told us that the new committee under Ky had accomplished more in ten days than the GVN normally could have managed in two months. This may be exaggerated but I am convinced that this group, with quiet U.S. participation and prodding, has been the prime mover of the GVN's relief and recovery
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effort. Without it, we would not be as far along toward restoring the situation
as we are today.

The Central Committee, with Ky and Thang as its sparkplugs and Komer
and his able deputy as behind-the-scenes expediters, has: (1) arranged special
distribution of over 8,000 tons of rice in Saigon, till commercial channels took
over yesterday; this has also stabilized the price; (2) provided 77 Saigon ref-
guee centers and 40 in Gia Dinh Province [with supplies], to care for an es-
timated 196,000 refugees; (3) divided Saigon into blue (secure) and red (in-
secure) zones as a device for phased return to normalcy; (4) set up country-
wide recovery committee operations on the Saigon model; (5) laid plans for
urban reconstruction to replace destroyed housing; and (6) has moved out on
a host of other pressing emergency problems.

From a series of inspection visits to the provinces, Bob Komer is con-
vinced that initial evacuee and damage estimates were somewhat exaggerated.
Many so-called refugees, for example, did not have their homes destroyed but
rather left insecure areas for safety’s sake or to get food. They are now trick-
ling back to their homes. While we still face plenty of acute relief problems,
we are more hopeful now than a week ago of a relatively fast recovery. To this
end, MACV is placing great emphasis on reopening key roads. Many of them
have already been repaired.

Meanwhile, it will take at least two weeks or so to get a good picture of
what has happened to pacification in the countryside. Our recent focus natur-
ally has been on the towns and cities. Many RD battalions, RF and PF and
RD teams were called in from the hamlets to assist in their defense and are
now in relief activities. Though the enemy does not appear to have hit the
RD hamlets, but rather to have bypassed them enroute to the towns, Bob Ko-
mer is concerned that a vacuum has developed which the VC could easily fill.
At any rate the longer the VC are allowed a free hand in the countryside, the
greater the setback to pacification.

Therefore we are pressing our advisors to get out and assess the situation,
encourage RVNAF and RD teams to get back on their rural jobs as fast as
possible and push out the VC where it has moved in. This may prove a
lengthy process in some areas, though we have firm reports that yet others
were untouched.

Along this same line, the VC Tet offensive offers another opportunity we
are trying to seize. In many areas the elusive VC infrastructure surfaced to
propagandize people, assist attacking units as guides and in some cases join
them as fighters. Now they are known to the populace and ripe for picking by
police-type operations.

In Nha Trang, for example, the VC City Committee emerged from hiding
almost to the man and joined the invading forces. Alertly, the GVN City Po-
lice Chief sent his special police in civilian clothes to roam the city and spot
enemy agents. Once enemy military forces were driven out, police and friend-
ly army units cleaned up the infrastructure which had exposed itself.
We have been trying to make some assessment of both the immediate economic situation and of the impact of the Tet attacks beyond the immediate economic crisis. The economic situation in Saigon is much improved over the near chaos of the first few days after the attack. Government rice distribution to the public picked up last week and in Saigon at least has been more than adequate to meet requirements. In Cholon, distribution has been far less satisfactory, although it should show rapid improvement with improved security conditions. Sales of rice through commercial channels have been resumed and, with the exception noted of Cholon, the rice distribution crisis appears to be a thing of the past. The government has also begun to release significant quantities of frozen pork from its stocks. Other foods are available but in limited supply and prices are still substantially higher than before Tet. A crude price index indicates that retail prices are about 80 percent above their level of late January. Food is coming in from the nearby countryside and small quantities are arriving from the traditional coastal and Delta sources of supply.

In other cities both the problem of food distribution and the manner of coping with it has followed much the same pattern as in Saigon. In many places the food situation is better than in Saigon. In the countryside the peasants seem to have resumed their economic activities. Transportation remains a serious problem as much for security reasons as because of physical damage to roads.

In looking beyond the immediate economic crisis, no economic collapse appears likely, barring a major deterioration in security, but economic prospects are less bright today than they appeared a few weeks ago. In cities there has been significant destruction of industrial facilities. The largest and most modern of the textile factories have suffered extensive damage. Significant stocks of raw materials and inventories of imported goods have also been destroyed. Perhaps of most concern is the effect the attacks had had on business and commercial confidence. Saigon had been viewed by the commercial community as a safe area where the risk of war damage seemed relatively slight. This confidence has now been badly shaken and it is unlikely that the importer business community will function with as much vigor as it has in the past for some time to come.

The inflationary problem is likely to become more serious because of increased government spending to cope with the emergency, a loss of confidence in the currency, less importer activity, and less rapid growth in domestic production. How serious the stabilization problem will be is not yet possible to ascertain. President Thieu’s determination to increase taxes and his request for emergency powers to implement these measures should help. Finally the remarkable technical and economic revolution which had begun to take place in the rural economy may be slowed. It is unlikely that the burgeoning commercial distribution system in the countryside will operate as effectively as we had previous hoped it would. This was an important element in the continuation and acceleration of the rural economic progress that was such a notable
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feature in 1967. The rural economy of the Delta has performed as well as it has over the past half decade because military activity there has been limited. If the VC offensive in the Delta is maintained or if it signals a shift by the VC to a policy of cutting the flow of goods between Saigon and the Delta, it could prove costly to the rural economy.

Nevertheless one must remember that the Vietnamese economy has demonstrated time and again in the past a remarkable resiliency. As time goes on, if the commercial community regains its confidence in the security situation, these negative factors may prove short-lived and the basic strengths of the economy reassert themselves.

It is still too early to tell what modifications, if any, there will have to be in the AID program as a result of the VC Tet offensive. We are beginning to make an assessment of this problem and should have a better picture of it in the next week or so.

In the days ahead, we shall be continuing to make further assessments of the situation, of the material and physical damage countrywide, an estimate of both time and resources required for reconstruction, and the effect of the Tet offensive on other priority programs; and we shall especially want to see what the effect has been on pacification. It is apparent that there are minuses in the situation but I believe there are also many pluses. In the field of both RVNAF reorganization and civil administration there should be an excellent opportunity to evaluate performance, to reward those who have performed well, to get rid of the incompetent and corrupt. This will be one means of speeding up the attack on corruption. Thieu’s prompt move on speeding up mobilization is a constructive development, as are the other measures he proposed to the Assembly and to the cabinet at its meeting on February 11. There is an opportunity to do something positive about the situation in the overcrowded cities, especially to provide better housing in the destroyed areas.

In all of this, the psychological factor is the most important. The mood of the people is always difficult to assess but so far as we can determine the Tet attacks have resulted in a widespread reaction against the Viet Cong. The destruction caused by the attacks is not always blamed on the enemy but there is near universal condemnation of the Communist exploitation of Tet. In Saigon those not directly caught in the fighting tend to see the attacks as an impressive demonstration of Communist strength, but also as a major defeat for the enemy. In areas still more or less contested by VC forces, people are understandably apprehensive about the possibility of further VC attacks. The VC have frightened them and shaken their confidence in the government and the United States to provide security.

Most important in the psychological picture, however, is the fact I have mentioned previously that nowhere did any significant numbers of people respond to Communist appeals for voluntary support. With the right kind of action to meet this crisis, if the government acts promptly and vigorously (and I believe it has made a good beginning), it should be possible to improve its popular image and to increase the degree of positive, active support which it
can call on in any emergency. There is a long way to go in this respect, and I believe Thieu and the other top leaders understand and agree with this analysis. It is now a question of what they are capable of doing. But I have impressed on them, and will continue to impress on them, that this is a golden opportunity.

A final question relates to the enemy's intentions. General Westmoreland believes that the enemy may be preparing to go all out militarily in the next few months in a continuation of his efforts to end the war on his own terms. I have reported Thieu's views that Hanoi's principal objective in the recent Tet offensive was to put itself in an advantageous position for negotiations so that it could demand recognition of the Front and its inclusion in a coalition government. Failing in this immediate objective, he believes that Hanoi's plans will include three major elements: (A) an effort to launch major attacks in the northern provinces of I Corps and in the central highlands in order to tie down as many US and ARVN troops as possible; (B) to continue efforts at harassment and infiltration of the cities, including political "spoiling" operations, i.e., propaganda and subversion efforts; and (C) an effort to regain and hold territory lost to pacification.

Thieu believes that Hanoi's objectives are the same as those of his Tet attack, to put itself in a strong position for negotiations by demonstrating at a minimum that militarily the situation has reached a stalemate. In carrying out this plan, he believes the enemy, as in the Tet attack, will be ready to accept heavy losses, commenting that Giap did this in the siege of Dien Bien Phu. But failing in this effort as he did in the Tet offensive, Thieu believes that Hanoi may well begin to withdraw or "fade away." It seems to be that General Westmoreland's views and Thieu's theory about enemy intentions are not contradictory, for Hanoi may well be ready to gamble heavily on the possibility of either military victory or the belief that they can attain equivalent results through negotiations; it is certainly consistent with Communist philosophy and strategy to mesh military with political and psychological aims.

I do not want to get into the business of prophesying, but I believe we have never been in a stronger position than now to meet anything the enemy can throw at us. Our own forces have performed magnificently and are being strengthened. The Vietnamese forces have been alerted by their preliminary intelligence failure and proved their mettle in combat, have taken heavy losses (more than twice ours), and they have gained confidence in themselves. The GVN is showing energy and effectiveness in getting the country back to normal. If it seizes the opportunities now on the other fronts I have mentioned, it should gain wider and stronger support from the people.

In retrospect we may well look back on these recent events as a turning point in the war, when the people in the heretofore relatively secure cities realized it was their war too; and that out of it has come a sense of national unity, of nationhood, that under other circumstances would have been long in developing. But this will depend in great measure on how well Thieu and the other leaders seize the occasion. From the earliest days of the Tet attack, I
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have tried about everything on him I know except Shakespeare: “There is a tide in the affairs of men which, taken at the flood, leads on to fortune; omitted, all the voyage of their life is bound on shallows and in miseries.” But as always the gap between the ideal, what we want to attain, and what actually is achieved is affected by, and dependent on, the limitation of the human resources with which we have to work. But we shall keep pushing.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FORTIETH WEEKLY TELEGRAM, FEBRUARY 22, 1968

Since my last weekly message, there have been a number of significant developments in the situation, some favorable, others less so. I shall try to summarize these briefly at the beginning and will endeavor to enlarge on them later in the report:

(A) The GVN has continued to press the recovery program with commendable energy. Despite frustrations, substantial progress has been made. In the Saigon area, public services have been maintained, distribution of food has been expanded, prices have come down (now about 20 percent higher than pre-Tet), and the problem of evacuees has been handled effectively. The curfew has been relaxed and people are getting back to their normal occupations. In the cities and towns throughout the country, recovery work is underway, food supplies are adequate, and efforts are being made to open lines of communication as rapidly as possible. The counterparts of the Central Recovery Committee at corps and province level are for the most part working effectively. Perhaps a major by-product of the effort has been that of getting ministries to work together, horizontally instead of vertically.

(B) We have as yet no comprehensive inventory of destruction throughout the country but this is now underway. It is obvious from preliminary reports, however, that destruction has been heavy. Evacuees will probably number from 400,000 to 450,000, of which perhaps 30–40 percent having left their homes for security reasons will be returning. Most of the remaining will be refugees in the true sense in that their homes have been destroyed. We have no accurate count of the number of houses destroyed nor an inventory of the damage to industry. Our latest count showed 61,000 houses destroyed, a figure considerably higher than that of the GVN. As reported in my last week's message, industrial plants have suffered extensive damage. It is apparent, therefore, that the repair of physical destruction caused by the Tet offensive will involve an extensive and time-consuming effort, and a substantial allocation of resources.

(C) Further elements in the enemy's strategy developed with renewed attacks on a number of cities during the night of February 18–19 in what appears to be the second phase of the Tet offensive. These for the most part were rocket and mortar attacks directed principally at airfields and bases. Exceptions were the cities of Phan Thiet and Song Be which the enemy entered and from which he was thrown out with heavy losses. But what is evident is
that the enemy in effect is attempting an investment of some of the major cities. For example, troops are being moved closer to Saigon and to Can Tho in the Delta. He is making intensive efforts to disrupt lines of communication, cutting Highway 4 from the Delta every night. His present moves seem to confirm Thieu's view that he will continue to attempt to harass, isolate, and choke off the cities. He remarked to me yesterday that the countryside has always been of prime importance to the VC for this reason.

(D) The enemy is bringing in heavy reinforcements to the Saigon area and severe fighting has been taking place in Gia Dinh. These reinforcements evidently have been coming from replacement camps in Cambodia. Heavy truck traffic has been noted on the Cambodian side proceeding up to the border and heavy sampan traffic observed from the border inland into Viet-Nam. This raises the question as to how long we can afford to permit the enemy to make use of the Laos and Cambodian sanctuaries as freely and effectively as he has been doing for the infiltration of men and material. I recognize that his is an extremely difficult problem having many complex and sensitive political aspects, and will therefore want to make it the subject of another message.

(E) The enemy's present moves, it seems to me, lend credibility to General Westmoreland's views and those of President Thieu on the probable future course of his strategy. As I reported last week, General Westmoreland believes that the enemy may be preparing for a major offensive in the northern provinces, perhaps supported also in the Central Highlands, and that he has the capability to mount such an offensive. Thieu's view, which he confirmed again in my talk with him yesterday, is that the present offensive will be followed by a second one which may come some months from now, perhaps around May to July: that in this he will try to pin down our troops in the north, in the Central Highlands, and in defense of the cities; to continue mortar and rocket attacks on airfields in an effort to reduce our air potential; to continue harassment and infiltration of the cities to carry on political "spoiling" and attempt to paralyze the government through terror attacks; and to attempt to regain and hold as much of the countryside as possible. Thieu believes that the main enemy objective is still the countryside, and that his purpose in its control is twofold: to choke off the flow of food and other supplies to the cities, and to be able to demonstrate that he controls a large part of Vietnamese territory before going to negotiations. Thieu believes, therefore, that the enemy's ultimate objective is a political settlement, and his view of timing looks toward the end of 1968 or early 1969.

(F) If these views are correct, and they seem to me quite logical, then it appears they will involve a major effort on the part of the enemy. How long he can sustain such an intensive effort, given the losses which he has already taken and which such an effort will inevitably entail, is problematical, especially if we have the men and material to meet and frustrate him at every turn; I think there is no question about the will.

(G) It is apparent that the pacification program has suffered a setback, though to what extent it has not been possible to determine. Eighteen of the
Fifty-four ARVN battalions assigned to pacification were withdrawn for defense of the cities; so apparently were a considerable number of the Regional and Popular Forces and some of the RD teams, though the exact numbers are not known. The consequent impairment of security which has resulted has raised doubts in people's minds concerning the capability of the government to provide adequate security in the countryside. On the positive side, however, is the fact that substantial numbers of the Viet Cong forces were withdrawn from rural areas for the attacks on the cities and that for the first time a large part of the infrastructure has surfaced and been identified. This should make possible a more effective rooting-out process. First priorities, already underway, are to get supplies to the provinces; to get refugees into permanent camps; and to get inspection teams out. The next priorities are to get the forces back into the countryside as soon as possible; to re-establish security; to revive the economy; through psyops to capitalize on the Tet failure and to attack the exposed infrastructure.

(H) Popular reactions have continued to surface. Confidence in the government was at first badly shaken; but at the same time popular opinion hardened against the VC. While the enemy instilled new fear in the city dwellers, he learned that the masses will not voluntarily support him. In the view of many experienced observers, the crisis has generated a greater feeling of unity and more willingness to contribute to the common cause than has ever been witnessed in this country. There are anxieties about the "second wave" attacks, but there is also among many Vietnamese a new esprit; they feel they have met and defeated the best the enemy had, they are proud of their army for the first time in many months, and as Phan Quang Dan puts it, they believe that their government and their system has proved it is "viable" in the toughest kind of situation.

Since General Westmoreland has reported daily, comprehensively, and in detail, developments in the military situation, I shall only make a brief summary of the present outlook. The "second wave" of the Tet offensive is apparently underway. It began with a coordinated series of rocket and mortar attacks throughout II, III, and IV Corps in the early morning hours of February 18. Since then, many cities and airfields, including Saigon and Tan Son Nhut, have suffered harassing mortar and rocket fire. Enemy forces at considerable strength are close to Saigon with the obvious purpose of investing the city. The apparent intention of these attacks throughout the country is to tie down defense forces and prevent them from moving back to the countryside, while at the same time continuing to maintain tension among the urban population and impress them with VC power. The prime enemy objective, I believe, is III Corps and Saigon, although he also poses a threat to Can Tho in the Delta, and a continuing and very serious threat in the northern part of I Corps with four divisions in Quang Tri and Thua Thien provinces.

Although we have by no means necessarily seen the whole of the enemy intention or capability for "second wave" attacks, I am inclined to be encouraged by the slowness and apparent relative weakness of his follow-up at-
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tacks. Obviously, it was essential from his point of view to hit the cities and the GVN again as quickly as possible. Enemy radio broadcasts made the point that we must not be allowed to get back on our feet. In fact, it appears to me that the GVN, with our help and prodding, has reacted to the new situation, both military and political, faster and better than has the enemy.

On the political-economic side, we have reported daily the government effort over the past three weeks to provide immediate relief to the victims of the fighting, show vigorous leadership and inspire confidence by public appearances and statements, and rally all nationalist groups to the support of the government in this crisis.

Despite many frustrations, the recovery effort is still moving forward at a good pace. In fact, Ky believes that the Central People’s Recovery Committee has largely accomplished the first phase of its mission and that its direction should be turned over to the prime Minister. He has been influenced in this also by some criticism that he has been using the position of chairman to grab power and that it could therefore become a political liability to him. I do not believe this is so and neither does Thieu who has spoken to me in very complimentary terms of Ky’s accomplishments. When I mentioned this to Thieu yesterday, he told me that he, Ky, and Loc had discussed the matter and agreed that the time had come when it should be placed under the direction of the Prime Minister, but that Ky would keep watch over the work of the committee and give supervision and direction when necessary. The locus of the committee will be moved to the Prime Minister’s office. It will continue in its present form with its US supporting and complementary staff and will hold daily meetings. Thieu informed me that he also will keep close watch over the work of the committee as well as the corps and provincial committees.

The biggest plusses in recovery work to date have been satisfactory handling of nearly a half million evacuees (200,000 in Saigon/Gia Dinh alone), feeding people in the cities without astronomical price increases (Saigon index is now only about 20 percent higher than pre-Tet), and responsive emergency assistance both in money and materials to hard-hit provinces, overall performance of social welfare/refugee, health, and public works ministries has been heartening. The biggest difficulty encountered is balancing the military need for tight security against an essential relaxing of restrictions to speed civilian recovery.

During the week, 269 private rice dealers started buying from government stocks and distributing through retail outlets. Distribution is now going so well that government-operated distribution points have all been phased out. The 2,500 RD cadre performed well helping organize and operate rice distribution points. Now, all are engaged in social welfare work in many of 81 refugee centers in Saigon and 44 in Gia Dinh.

Plans are underway for urban renewal in Saigon/Cholon destroyed areas. Ky has been the leading organizer of a plan to build 15,000 multi-story apartment units to replace burned-out warrens where fighting occurred. Initial bids from private contractors, looking to profit from increased demand, have been
much too high. As I have reported, I have suggested to Thieu the freezing of
new private housing starts in Saigon to force contractors to bid competitively
for the government-sponsored projects.

Bob Komer is having a detailed assessment made of the aftereffects of the
Tet offensive on pacification. Our initial judgment that VC units in large
measure bypassed hamlets on their way to the cities appears correct.
Nevertheless, we have suffered a pacification setback because the GVN pulled
back many, though by no means all, of its local security forces from the coun-
tryside to defend the cities. Thus the vacuum in the countryside which we
feared does exist; more so in III and IV Corps than in II Corps (in I Corps
government control has never extended much beyond the narrow strip along
Route 1 because few people lived elsewhere). Perhaps two-thirds of the RD
teams are now assigned defense and social welfare duties in province and dis-
trict towns. In many provinces, the teams came in because the local security
forces were recalled or drifted back to the towns. As I have mentioned, of the
54 RD support battalions, 18 were called in to defend province capitals and
district towns. Perhaps a third of RF/PF units in the countryside were also
used for defense of population centers. However, the press accounts have
grossly overplayed the extent to which our pacification assets were pulled
back. In many provinces not hard hit by the enemy, the status quo ante still
prevails.

We are pressing constantly and hard to get the RVNAF forces and RD
teams back to their rural jobs. The GVN, at our urging, has issued the right
orders, though they are still too general and permissive. President Thieu is
convinced that filling the vacuum before the enemy recovers and shifts his
operations to the vulnerable hamlets is crucial. This will take time because
the ARVN is tired from continuous fighting, some of the ARVN leaders in the
field are still in a state of shock from the enemy's near success, and security of
the cities and towns is still a major problem. Nonetheless, we may be able to
shorten the time frame if the GVN responds.

As plans to recover ground lost are being made, Komer has also been
analyzing 1967 results in order to make improvements in 1968. Using the
HES we have taken a close look at the 1,191 hamlets included in the 1967 RD
program. Despite announced enemy intentions to smash the RD effort during
1967, only 89 of these 1,191 hamlets regressed during the year. All others
showed improvement or held their own. Security factors, usually pressure
from nearby, company-size VC forces, accounted for 80 percent of the regres-
sion. In priority IV Corps, only four RD hamlets went backwards. Most re-
gression occurred in II Corps (41 hamlets) where we had to thin out our forces
and leave more of the job of handling organized VC units to the Vietnamese.

Indeed, our 1967 success in getting pacification at long last off the ground
may have been one of the factors leading the enemy to shift his strategy to
one of all out effort rather than protracted war. While our solid pacification
accomplishments were modest, Hanoi doubtless took future prospects into ac-
count in reassessing its strategy.
The economic picture has not changed significantly in the last week. On the favorable side, prices in Saigon-Cholon have fallen substantially. We now estimate that the cost of living here is less than 20 percent higher than it was in the last week before Tet, with food prices alone up about 25 percent. Deliveries of food products from the countryside have begun to pick up and distribution problems in Saigon appear to have been resolved.

But on the unfavorable side, the tendency I noted last week for the commercial community to pull in its horns has been confirmed. Although the GVN is seriously and constructively reviewing the problem of how to help local business recover from the severe war damage that some of them suffered, as yet no decisions on reconstruction loans or compensation have been made. There is beginning to be evidence that the rice merchants are dragging their feet in purchasing the newly-harvested paddy since they are not sure they can transport it from the Delta to Saigon. Because of the curfew, transportation problems, and the general confusion in the aftermath of the VC attack, many businesses have not yet reopened and a considerable number of workers have not yet been able to get back to work. Since the Tet period is a traditional time for taking vacations, this problem has not yet reached crisis proportions.

The government has under active consideration a number of new tax and stabilization measures. In general, the GVN has labored effectively and responsibly on the economic side in recent weeks and shows signs of being willing to face up to the economic problems occasioned by the VC Tet offensive. Nevertheless, the problems are formidable and we can't yet tell what the enduring economic repercussions will be.

I have mentioned the rallying of many nationalist groups in support of the government in this crisis. I have also reported on the large number of voluntary organizations and individuals who have come forward to demonstrate their support. Another outstanding example was the holding of the "People's Congress to Save the Nation" on February 18. Organized by Tran Van Don, the Congress was attended by a wide range of political leaders. Among the notables who took part were Phan Khac Suu, Ha Thuc Ky, Tran Van Huong, Tran Quoc Buu, Tran Van Tuyen, Thich Tam Giac and a number of leading senators. In his opening speech, Don called for national unity and said, "No one can save us if we do not know how to save ourselves." The unity in adversity theme prevailed in almost all of the speeches that followed, and the congress ended by setting up a standing committee and an advisory board for the formation of a nationwide front. According to Don, the front is not to be a tool of the government, but it will cooperate with the government and look to the government for a "certain amount of assistance and support." Don intends to push ahead with the organization of the front so as to give it roots in all of the provinces and make it a real political force.

This front includes many elements of the kind of broad, anti-communist political grouping which we hope the present crisis will generate. As usual there are suspicions in many Vietnamese minds that Don's front is the work of Vice President Ky to take over political power. Don has told us that Ky
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"pushed" him into the effort, and he worked with a number of Ky men to organize the congress. Nevertheless, the fact that the congress included a number of leaders who are strongly opposed to Ky, notably Tran Van Huong and Ha Thuc Ky, seems to indicate that it is much more than a Ky vehicle at this time. I do not believe that this represents an effort by Ky to take over political power or any rivalry with Thieu, but that he has wanted to galvanize public support of the government. In fact, as I have reported several times recently, I believe Thieu and Ky are working more closely together than at any time since I have been here. Thieu told me yesterday that he would be talking with Don today in an effort to encourage him to get some practical results from the congress. He said that he had warned Don before the congress was held that such broad brush efforts in the past had never been very effective. Usually well-meaning resolutions had been passed and that had been the end of it; he hoped something more concrete in the way of tangible results would come out of the present effort.

Thieu, in the meantime, is going ahead with his own plan to consult with small, homogeneous groups of religious and political leaders at the palace, to explain the situation facing the country and to ask for their suggestions and support. He has been sending individual written invitations to each such leader, spending several hours in informal conversation with them, and believes that for the long pull, this is a better way of creating a real sense of unity and common purpose than the immediate convening of any congress or council of advisors, although admittedly these have their uses. He also remarked that there were some serious omissions in the list Don had invited to participate in the congress, and he will urge Don to include these in his group. All of these efforts are useful and bear testimony to widespread support of the government such as we have not before witnessed.

I has asked the members of our Mission Council to proceed actively to a stocktaking of our present position and an evaluation of what we need to do about it: on the extent of the physical damage; the effect of the attacks on pacification; the effects on agricultural production, distribution, and labor; the present Saigon situation; the effects on industry; the time and resources required for reconstruction; the psychological after-effects of the attack; and the current popular response to calls for unity and mutual cooperation. As noted above, physical damage was great. In addition to the destruction of houses, roads, bridges, power installations, telephone nets, radio stations, and industrial plants have been hard hit. At the present time, we do not have a comprehensive picture of those damages. US AID, in cooperation with CORDS, on February 17 began a systematic inventory of the damage throughout the country which we expect will be completed in about three weeks. It will permit an orderly series of decisions on priorities, contracts, and responsibilities.

Information on the enemy's counter-pacification effort is also incomplete. As I have mentioned, a sizeable proportion of GVN security forces were pulled into the urban areas. While evidently few RD teams were attacked in
the initial assaults, we cannot yet judge to what degree the VC have a free hand in the countryside now. I do not think they have by any means erased the progress we have made in the rural areas in the past few years, but we can expect to find that the pacification program has been set back. If President Thieu is correct in his judgment that the enemy is now concentrating on getting control of the countryside, we may find that the "second wave" is in fact a race to re-establish control in the rural areas. With both enemy and free world forces heavily deployed in the urban areas for the past few weeks, something of a vacuum has existed in the countryside. We must do our best to prevent the enemy from filling that vacuum first. Thieu, Ky, and Loc are all well aware of this requirement.

If security can be restored in a reasonable period, we do not anticipate that the Tet attacks will cause a great decline in agricultural production. High prices could even stimulate production. Conversely, continued disruption of roads and canal transport could result in less future planting as farmers anticipate a smaller potential for selling their crops. The Tet offensive may also squeeze an already tight farm labor market. The great majority of able-bodied young farmers have already been drafted, either by the government or the Viet Cong, leaving women, children, and older men to do most of the farm work. The recall of men under 33 who have not yet completed five years of military service, and the drafting of 18 and 19 year olds, will cut heavily into agricultural labor, and may result in a decline in production.

I have noted some of the highlights of the Saigon situation above. I should add that the port operation, while not by any means back to normal, is improving. One difficulty is the curfew, which cuts into the working hours of stevedores and other port personnel. We are trying to get this relaxed so that discharge of vessels can proceed around the clock. Commercial importers are doing a good job in removing cargo from the port area. On the less encouraging side is General Loan's estimate that it will take two to three months to clear the Viet Cong out of the city. Presumably he is thinking of the time required to pick up the agents surfaced during the attacks and use them to uncover other VC groups.

In regard to the psychological situation and popular response today, I think these are summarized above and in my previous message. The enemy won respect through fear by his attacks, but he did not win voluntary support. The use of the Tet holiday as a cover for the attacks was much resented. Perhaps most important, there is a tendency on the part of virtually all Nationalist Vietnamese to close ranks in the face of the common danger. While the front represented by the "Peoples' Congress to Save the Nation" may not prove viable in the long run, it demonstrates the degree of unity and willingness to work together which the present crisis has created.

Conversely, I fear that the attacks have had a negative impact on opinion abroad. The recent attacks seem to be taken in many quarters as evidence that the Viet Cong Communists are supported by the people—instead of the opposite, which the attacks certainly did prove—and that the Communists are
well on the way to victory when in fact they have just suffered a major military defeat.

In addition to the evidences of unity and support for the government, which I have mentioned, I am also encouraged by the Senate’s handling of the government’s emergency measures. While noting that both the declaration of martial law and press censorship seem to conflict with the constitution, no voice has been raised to criticize or oppose these actions. Rather the whole thrust of the discussion has been to find proper means to bring government measures into line with the constitutional process by providing formal legislative approval. It would be hard to imagine a more striking vote of confidence and show of solidarity in any country. Here it is nothing short of phenomenal.

Finally, I am encouraged by the way in which Thieu and Ky are working together. I had a long talk with Ky on February 19 in which we covered this familiar ground once more. As I reported then, he reassured me that he understood he and Thieu must work together, “not as a team but as a unit.” Yesterday in talking with Thieu about the changes in the administration of the Recovery committee and the rumors which had arisen in connection with it, he said that there were no problems between him and the vice president. He added, “We are conferring daily and working closely together.” There are, of course, differences of temperament but these certainly are not insurmountable. Such problems as there are arise chiefly from the ambitions of their respective entourages. I believe that both Thieu and Ky are trying to work together and to make an effective joint effort to capitalize on the present mood of the nation and I shall do all I can to encourage them to continue in this effort.

The problem now is to keep up the momentum on all fronts, and to accelerate it where we can. Within the limitations of the human resources with which we have to work, I am confident that we shall make progress.

In conclusion, even with the many problems we face, I believe the present situation gives us an opportunity, together with the GVN, to re-examine all the things we can do, in and out of country, to improve the effectiveness of our programs in country and to add to the pressures on the Viet Cong and Hanoi. We propose to go ahead with this here.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FORTY-FIRST WEEKLY TELEGRAM, FEBRUARY 29, 1968  It is now four weeks since the enemy launched his Tet offensive. Many factors are still only partly known in this new situation, but I thought it would be worthwhile to try to make a preliminary assessment of where we stand. This will have to be a rather rough approximation since it will be some time before the returns of the comprehensive and detailed examinations now underway will be in. Nevertheless, I believe the following general points can be made:

(a) It is evident that the enemy made a heavy commitment of his forces to the Tet offensive, some 62,000-plus guerrilla and other elements in supporting roles; that more than half of the forces committed have been destroyed and more than 10,000 weapons captured, a figure which tends to substantiate the reported personnel losses. These heavy losses would appear to have a number of consequences: many enemy units are expected to be ineffective for a considerable period; a heavy replacement flow will be required from North Viet-Nam which is likely to result in a significant increase in the proportion of NVA troops in South Viet-Nam; and there is a possibility that he may be forced to reassess his strategy, for example the all-out offensive versus the "conservation of forces" policy, the attack on urban areas versus his "frontier strategy," or the desirability of going into a primarily guerrilla war posture.

(b) This reassessment of strategy by the enemy may be influenced by the psychological effect on him of the heavy losses and defeats he has suffered. He mounted an intense propaganda effort prior to the attacks, thoroughly indoctrinated his troops with the idea that the winter-spring campaign would be the decisive and concluding period of the war, that a coalition government would be formed, and their hardships would cease. Now enemy propaganda is talking about a long war, and there are no further references to "victory this spring." It would seem logical that this pre-Tet psychological buildup would be followed by a let-down as the enemy troops come to realize that they have not won the final victory, but on the contrary have taken very heavy losses only to be thrown out of all the cities they attempted to seize. Probably the letdown will be most rapid and severe among VC provincial and regional forces, guerrillas, and infrastructure. If this should take place, it may well result in an upturn in Chieu Hoi rates.

(c) It is clear also that the enemy made a major miscalculation in believing that the people would rise to support his forces. A recently captured document makes this even clearer than before. COSVN order dated February 1,
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a critique of the first phases of the Tet offensive, points to the lack of popular uprisings and ARVN defections as key failures. But, as I have noted before, failure of the masses to actively support the enemy does not necessarily mean there is solid popular support for this government; and among many elements of the population, there is widespread apprehension and fear of further attacks by the enemy. Nevertheless, opinion has hardened against the enemy, and GVN efforts to assist the victims of the fighting have probably improved the government's image in certain quarters. In some areas, popular indignation against the enemy is running very high. The post-attack feeling of national unity and willingness to cooperate with the authorities remains strong. Granted there is still a considerable distance to go to create a solid, enduring climate of opinion which can be described as strong, positive support for the government as against the present essentially anti-VC feeling; nevertheless these are positive elements in the present military picture.

(d) There are factors on the other side of the ledger. The enemy has shown a capacity for continued heavy infiltration from the North. Indeed it seems apparent that this was substantially stepped up in the months immediately preceding the Tet offensive, a fact which raises acutely the question of what measures should be taken to reduce substantially infiltration through Laos and Cambodia. The enemy has also been able to equip his troops with increasingly sophisticated weapons; they are in general better equipped than the ARVN forces, a fact which has an adverse bearing on ARVN morale. And the enemy has demonstrated flexibility, skill, resourcefulness, discipline, and determination. That he suffered such a severe setback has been due to the skill, tenacity, and bravery of our commanders and troops and those of the ARVN, to our mobility, and to our superiority in artillery and air power.

(e) It seems apparent also that a number of options are open to the enemy. If instead of reverting to a policy of a prolonged war, or a guerrilla posture, he decides, as Thieu believes he will, to go "fast" in the months ahead with the objective of putting himself in a strong posture for negotiations, we may be approaching a decisive period in the war. Should this be his decision, and provided we act quickly and decisively to meet the threat, if we take positive action now, and this, of course, involves getting the GVN to take a whole range of decisions and actions, I am confident in our ability to meet the threat successfully. It is possible indeed that this could shorten the conflict and bring us more quickly to a decision. Thieu sees this in a time frame encompassing late 1968–early 1969.

(f) The physical destruction caused by the Tet offensive has been heavy and widespread. One-hundred two cities and district towns were attacked, creating at present count some 550,000 evacuees, of which it is expected some 30–40 percent will return to their homes when security is restored. The number of houses destroyed now stands at 66,400, but this does not yet take into account figures for the heavy destruction at Hue. The present count of civilians killed stands at 4,700 with another 19,500 injured, but again this does not include figures for Hue. These figures give some idea both of the
magnitude of the problem and of the time and resources that will have to go into the recovery effort. But assisted, prodded, and supported by our people, the government reacted well at the outset and it is now showing more drive and effectiveness than at any time since my arrival in this country. While its performance is not beyond criticism, it is better than many of us expected, and far better than press reports indicate. We have to bear in mind the limitations of the human resources available here in drawing a fair judgment. Most important, I believe, is the fact that the government has recovered faster and is moving more swiftly than the enemy. Both sides are tired and disorganized in the wake of the near Armageddon, which the enemy provoked, but our side is reviving more rapidly.

(g) The relief and recovery program is moving ahead with no apparent loss of momentum since Ky turned over the direction of the Central Recovery Committee to Prime Minister Loc. This in part is the result of a more active participation on the part of President Thieu who chaired the February 24 and 28 meetings and has exhibited both comprehension and decisiveness in his interventions. He has told me he plans to chair the Task Force twice a week in the future. It is also due in part to the surprisingly effective performance of Minister Doan Ba Cang who has turned out to be a more hard-nosed and efficient coordinator than General Thang. It is also due to the very effective efforts of Bob Komer, General Forsythe, and our staff. At this writing Saigon is approaching normal in many ways: prices are down to 15 percent above the pre-Tet level, rice distribution is back in the retailers’ hands and no longer poses a problem, public utilities are functioning, there is a uniform 1900 to 0700 curfew throughout the city. One-hundred sixty-nine thousand evacuees are being cared for, the work of clearing away the rubble is well underway, and the long task of rebuilding has begun. While moving more slowly in the provinces in many cases, relief and recovery is also going forward there in a satisfactory manner.

(h) Having failed to hold the cities, the enemy is now keeping up harassment of the urban population and attempting to dominate the countryside. The second wave of the offensive, as I mentioned last week, is in many ways becoming a race to re-establish control in the rural areas. Both enemy and friendly forces were withdrawn from the countryside to take part in the fight for the cities. That phase seemed to end February 25 when President Thieu attended an emotion-filled ceremony at which the Vietnamese flag was again raised over what remains of the ancient and sacred city of Hue. If Thieu is correct in his analysis of the enemy strategy, the present enemy concentrations near the cities and harassment by mortaring and rocketing of the urban populations is intended to tie us down to urban defense while he attempts to take over and hold as much of the countryside as possible. Interrogation of an enemy officer in I Corps supports this view of the enemy intentions. Thieu is fully aware of this, so are General Westmoreland and General Vien, and our troops are beginning to move back into the rural areas.
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(i) Pacification has been set back but contrary to some press reports certainly is not dead. While it is imperative that we move fast, we have by no means lost the race. About one-half of the RD cadre have remained in their assigned hamlets with the other half working in the urban areas. Some provinces were relatively untouched, and in at least 16 provinces it should be possible to get the program back on the rails rather quickly. Thirteen provinces were hard-hit and we estimate that it will take a minimum of six months to get the program there back to the pre-Tet level. By Corps areas, we can say the situation in I Corps is bad, with the program suffering most severely in the northernmost provinces; in II Corps it is in relatively good shape; III Corps is in worse condition, though we view the situation there as truly serious in only three provinces, but those three include two provinces which are neighbors of Saigon, Gia Dinh and Bien Hoa. IV Corps is perhaps the most serious problem with something approaching area-wide paralysis prevailing in that key region.

(j) It is clear that we must move rapidly. Given a free hand, the enemy will use the people in the countryside, step up recruitment, replenish food stocks, and erode previous GVN pacification gains. Instructions have gone out to Vietnamese forces and U.S. advisers to seize the initiative and to go on the offensive. Roads and waterways are being re-opened and commercial traffic is beginning to move north of the Mekong. The next step is to break the RF/PF out of their defensive shells, and to get all RD teams back to their hamlets. While some risks are involved, it seems to me important that we do not over-commit ourselves in defense of the cities. Our ability to take the offensive, especially in the countryside, will be psychologically important both in restoring the morale of the South Vietnamese population and in persuading the enemy that he cannot possibly win militarily.

The effects of the Tet offensive on the Vietnamese economy must be rated as adverse and seriously damaging, without significant positive offsets. Estimates of the physical damage have been reported elsewhere. It is doubtful that the extent of this widespread damage will ever be estimated accurately in money terms, but for a country whose capital wealth is low, it is a severe blow. If peace and security were now restored, one could imagine a rapid recovery of the sort that often takes place after localized natural disasters. But the continuation of fighting and insecurity will make the recovery longer and more difficult for Viet-Nam. Reconstruction will inevitably divert resources from the war and the pacification effort. In the meantime, the effect, both monetary and psychological, on people who have lost their homes, seen factories and places of business destroyed, and communications interrupted will be hard to sustain.

Another result of the damage inflicted during the past month and the consequent reconstruction effort will be a buildup of inflationary pressures. It seems certain that GVN expenditures will increase by at least 10 billion piasters. At the same time, disruption of economic life will inevitably lead to reduction of tax revenues, probably by the same order of magnitude. Our
preliminary estimates show more than a doubling of the increase in money supply, from 19 billion piasters to more than 50.

In last week's message, I reported on the adverse effects of the offensive on confidence in the business community, on transportation in the countryside and the rural prosperity dependent on it, and on agricultural production. How serious and longstanding these effects may be depends in large measure on how quickly security can be restored. Its restoration, therefore, is vital to all our calculations.

A more detailed consideration of the above points follows.

Performance of the Government. President Thieu was in My Tho when the Tet offensive began. Fortunately Ky was in Saigon, and he reacted fast with orders to defense forces and a declaration of martial law. Thieu, as you know, returned to Saigon as quickly as he could. By February 3 the worst of the enemy assaults had been blunted, and we had formed the joint Task Force under Vice President Ky. On February 4 the Lower House held a special session and put out a five-point proclamation condemnimg the enemy attacks. By February 6 the government had set up 59 relief centers in the Saigon–Gia Dinh area. President Thieu addressed a joint session of the National Assembly on February 9, gave a sober account of the Tet attacks, explained government actions to meet the situation, and requested special emergency powers. By February 15 over 8,000 tons of rice had been distributed in Saigon, with the help of 2,500 RD trainees from Vung Tau, and commercial outlets were beginning to take over the job. At that time, two weeks after the attacks, 117 refugee centers in Saigon and Gia Dinh were providing for the nearly 200,000 evacuees. Countrywide recovery committees on the Saigon model were in operation, and relief supplies were flowing to the provinces. While a long way from normal, the situation was coming under control.

On February 18 the enemy finally got his second wave under way with a series of coordinated mortar and rocket attacks in three of the four Corps areas. Only at Phan Thiet and Song Be did he again seriously threaten urban populations, however, and those attacks were repulsed with heavy losses to the enemy. Since then, the enemy has been largely concentrating on harassing mortar and rocket attacks on the cities although last week he continued to take heavy losses in ground action near Saigon and in other parts of the country; enemy broadcasts and captured enemy orders indicate that Hanoi's objective was to keep us off balance by again striking in force. Apparently, their resources were not equal to the opportunity which the Tet attacks had created.

Much of the GVN provincial administrative apparatus is now operating, although with reduced staffs. In many cases, the province capital is not yet in contact with all of the villages and hamlets under its jurisdiction. During the emergency many Province Chiefs performed at least satisfactorily, while some did poorly and others turned in truly splendid performances.

President Thieu told me February 26 that despite the Tet attacks, he intends to go ahead on schedule with his plans for reorganization of both the civilian and military structure. On March 1 he intends to announce the re-
placement of the II and IV Corps Commanders, General Lan replacing General Vinh Loc in II Corps and General Thang replacing General Manh in IV Corps. At the same time, the administrative changes needed to bring the province chiefs more directly under the control of the central government will be initiated. After a one-month trial period, a seminar will be held to review the operations under the new set-up, and changes will be made as needed. The training program for new province chiefs will also begin on schedule March 1. After the training program is completed, province chiefs whose performance due to incompetence or corruption has been unsatisfactory will be replaced.

The government will also speed up mobilization. Recall of veterans under 33 with less than five years service has already begun. Nineteen-year-olds will be called up beginning March 1, and 18-year-olds will be drafted beginning May 1. Present plans are for an increase of 65,000 in the RVNAF, but Thieu thinks it may be possible to add another 30,000 to this figure provided equipment and funding can be arranged. He believes that advantage should be taken of the fact that the country is now psychologically prepared for full mobilization.

Relief and Recovery Efforts. As I have mentioned, the physical damage inflicted by the enemy was very great. In addition to the evacuees, the killing and wounding of civilians, the destruction in the cities and towns to which I have referred, 13 industrial plants were severely damaged plus another 20 which suffered smaller losses. Estimates of repair and reconstruction costs for these industries are about US$25 million in imported equipment and supplies plus about US$10 million in piaster costs. In contrast to this heavy urban damage, only about 50 hamlets were significantly hurts as most were bypassed for the attack on the cities.

We are continuing to assess the damage and make adjustments in our aid programs as seems necessary or advisable. As of now, we intend to go ahead with such programs as the increased cultivation of the “miracle” IR-8 rice, but security limitations could curtail this effort.

Reconstruction and speeded-up mobilization is expected to increase the manpower squeeze. One measure which the government is taking to ease the manpower and resources problem is a ban on private building construction, in order to channel resources into the rebuilding of destroyed houses. Shortage of manpower and other resources, as I have mentioned previously, will also contribute to inflationary pressures.

A good start has been made on all of these problems. As noted in the summary, Saigon is approaching normal in many respects and other urban areas are following, though more slowly. Moving supplies from the Delta remains difficult, with Route 4 frequently interdicted by the enemy, and we have yet to achieve a nationwide curfew. Hue in particular is in bad shape, with President Thieu estimating that out of the population of 200,000 as many as 132,000 are at least temporary refugees.
The Race for the Countryside—Pacification. We are now getting a little better view of the pacification situation. Of the 51 ARVN battalions supporting the RD program directly, eighteen were withdrawn to protect the cities. RF/PF generally remain in pre-Tet positions, though more statically employed than before. About 100 outposts, mostly squad size, are believed to have been overrun or abandoned. RF companies present-for-duty strength is generally 80 percent or better; PF platoon strength is running 85 percent or better. Half (278 by latest count) of 555 RD cadre teams are in hamlets. Two-hundred forty-five were withdrawn to province/district towns to provide security, to protect the teams, or perform social welfare work. Preliminary figures show 79 cadre killed, 111 wounded and 845 missing. Eighty-six out of 108 Truong Son (Montagnard) cadre teams are in hamlets; 22 were withdrawn. Police strength on-the-job is more than 90 percent. Generally police performed satisfactorily during the offensive. Four-hundred forty-seven police were killed, 758 wounded and 157 reported missing between 30 January–23 February.

General La, Thang’s replacement in the JGS, has ordered all RD cadre teams back to their hamlets by March 1, and he has begun field visits to assess the situation and follow up on his orders. General instructions have been sent to Vietnamese forces and U.S. advisors telling them to seize the initiative and go on the offensive.

Mood of the People—Political Reactions. After the first shock of the Tet attacks wore off, there was in many places an obvious revulsion against the VC, both for their bloody attacks on densely populated areas and for their cynical use of the Tet holiday. From this revulsion, heavily tinged with fear, grew a nationalist spirit of cooperation and unity very rare in Viet-Nam. There was, and is, criticism of both the GVN and the U.S. for failing to foresee and forestall the attacks. ARVN is blamed for looting and U.S. forces are accused of reacting with too much firepower, thus needlessly increasing the loss of life and property. In some areas, there are dark suspicions, fanned by VC propaganda, that the U.S. was somehow in collusion with the enemy. The government is charged with being too slow and too inept in its efforts to help the victims of the fighting. But this criticism was muted, and much more in evidence was the recognition of the great need for unity in the face of the enemy.

One result of this feeling, which I reported last week, was the Senate’s obvious desire to legitimize the government’s emergency measures while at the same time holding fast to constitutional forms and procedures. Another evidence was the People’s Congress to Save the Nation which Senator Tran Van Don put together hastily and launched on Sunday, February 18. Although many of the leading participants had misgivings about working with old antagonists, the Front drew together an astonishing number of top politicians from all camps.

As the situation is moving back to normal, the high emotions of the past few weeks are tending to subside. Unfortunately a great many political leaders now see Don’s Front as a Ky organization aimed at undermining
President Thieu. Leaders such as Tran Van Huong and Phan Khac Suu seem to be pulling away from the Front. It is clear to me that Ky has no intention of using the Front against Thieu, but it is a political fact of some importance that many Vietnamese politicians believe the Front is a Ky maneuver. Thus, its staying quality and its exact role remain to be seen.

President Thieu, for his part, has continued his careful, private meetings with small groups. He told me that he expected to complete this process about February 27. His intention is to try to find a basis for mutual trust and cooperation between the government and many of these groups and the people they represent by discussing the situation with them very frankly, explaining government problems and policy, asking for their advice and support. We have yet to see the fruit of this effort although Thieu has expressed himself to me as pleased with the results. It has at least the merit of being more carefully prepared and a more Vietnamese kind of activity than the showy but perhaps transitory Don Front.

We have continued to press Don to work with President Thieu, while I have urged Thieu to use Don to achieve at least a desirable psychological climate. Don has kept Thieu informed of the results of his efforts, and he also accompanied Thieu to Hue last Sunday. Thieu for his part has promised to help Don by providing transportation for the 1,000 delegates which Don hopes to convene in Saigon on March 10 for the national Congress of his Front. While Don and Thieu have not been especially friendly in the past, I think they have both shown themselves capable of working together in good faith for the welfare of the nation.

In the meantime, Thieu has also encouraged Tran Van An to form a more cohesive and better organized political organization which An describes as something between a political party and a political front. In conversation with Embassy officers, An has stressed his desire to cooperate with Don and to avoid at any cost the appearance of conflict or competition with Don's Front. We will be pressing both sides to find a good formula for joint efforts. The optimum result would be a "super front," grouping both An's followers and the collaborators of Tran Van Don, and a smaller but more effective pro-government party. The Front, not directly tied to government, could serve to rally the people broadly and emotionally against the Viet Cong, serving both to inform and mobilize the masses for that limited purpose. The pro-government party, with a more disciplined and tighter organization, could be the proper vehicle to field candidates, contest elections and undertake other kinds of pro-government political action. We are not persuaded that the An group, or any other now on the horizon, has yet shown the ability to build a broadly-based and effective pro-government party. If the Front should evaporate with the immediate communist threat, elements of it might reform into one or more political parties, both pro-government and nationalist opposition.

Unfortunately for the future success of both the Don Front and An's organization, we have seen a series of arrests here which tend to put the government's good will in question. In the past week oppositionists Au
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Truong Thanh, Truong Dinh Dzu, and Tri Quang were arrested, followed shortly thereafter by CVT labor leaders Tran Huu Quyen and Vo Van Tai. Also reportedly being held are Tri Quang supporters Thich Ho Giac and Thich Lieu Minh. The government position, as expressed publicly by President Thieu, is that these persons are under threat of being kidnapped and exploited by the Viet Cong. While this is certainly a possibility, virtually no one in Saigon believes that the arrests are truly a case of protective custody. On the other hand, there has been far less concern here about these actions than in the U.S.

I have brought forcibly to Thieu's attention the unfortunate consequences the detention of the labor leaders can have in the U.S. Perhaps in part as a result of these protestations, labor leader Quyen has been released. However Tai remains in jail. This is particularly unfortunate because the largest labor group in the country, the Vietnamese Confederation of Labor (CVT), was the quickest to rally to the aid of the government. Soon after the VC/NVA attack, the CVT not only issued a proclamation condemning the "criminal action" of the enemy, but also engaged actively and effectively in relief activities, both in Saigon and in some of the provinces. CVT President Tran Quoc Buu has been on the job at CVT headquarters every day since February 1.

Whatever the police motivations may be, the CVT regards the police action as arbitrary and unjustified, and designed to undermine it as an economic and political force. Buu has received assurances from high GVN officials that the GVN has no intention to repress organized labor, but Buu's response has been that, whatever the intentions, the actions of General Loan, National Director of Police, have indeed been repressive. Buu's criticism of his old enemy, Loan, has been so severe and persistent that it appears nothing may satisfy Buu short of Loan's removal.

In contrast to the reaction to the arrest of Quyen and Tai, there has been no significant response to the arrest of Au Truong Thanh, Truong Dinh Dzu, and Tri Quang. Most Vietnamese regard these leaders as somewhat suspect with regard to their attitude toward the VC and apparently for that reason do not object to their arrest.

In a summing up last night President Thieu reported to the nation on television his plans for relief and restoration. He noted that a special effort will be made to aid the people of Hue who have suffered from the most savage attack. A special sub-committee of the Central Relief Committee is to be established for Hue. He will also send a special representative there, and he added that he himself would return to Hue from time to time to check personally on progress. Thieu announced allowances of 5,000 piasters per family plus building materials for victims in the Delta, and 10,000 piaster plus building materials for victims in Hue and Saigon. He announced that March 1 will be a national day of prayer for the victims. Noting the need for national unity, he referred to his series of meetings with national leaders, said he found them useful and will continue them. He mentioned that he might establish a Presidential Council of Advisors, and also took note of the need for a nation-
wide, anti-communist Front (without referring to any group). Thieu also thanked all those who have contributed to relief efforts, called for redoubled efforts by civil servants, and reiterated the determination of his government to accept only an honorable peace.

Enemy Position and Strategy. I have mentioned that the enemy committed about 62,000 men plus guerrilla and support elements to the Tet offensive. Of these about 30 percent were NVA troops. By February 28 the number of enemy killed in action had gone to well over 43,000. About 6,600 have been captured. Individual weapons taken now total 10,399, and captured crewserved weapons are 1,574. The KIA from January 29 to February 28 averages out to about 500 per day, a truly staggering loss.

The enemy has the capacity to make up these heavy losses through infiltration (and secondarily, through certain new sources for recruitment), though it will take time and result in a higher proportion of NVA units in South Viet Nam. The weapons loss is not likely to seriously hamper the enemy. In the short run, he has lost some of the personnel to man them, and in the longer term he retains the capacity to bring in arms from his out-of-country sanctuaries. I have referred to one of the graver aspects of the Tet offensive, the fact that the enemy proved to be very well armed, often even at the local unit level, with excellent Soviet weapons. The result was that, particularly in the Delta, ARVN units often found themselves with less firepower than the enemy, even guerrillas being beautifully armed with RPG 7's.

As noted above, the enemy seems to be pursuing a very flexible strategy. While probably he intends to concentrate now on the countryside, his objective also seems to be to tie down our forces and to maintain the threat to the urban areas by grouping units in a position to hit such cities as Saigon, Hue, Quang Tri, and Can Tho (the grand objective, of course, is Saigon). If the opportunity should be offered, he would no doubt make further assaults on those and other urban centers. Such attacks would further his political and psychological effort even though he failed to take a city. For the time being, he keeps up the pressure on the urban areas by harassing mortaring and rocketing attacks. At the same time he is trying to cut off the flow of supplies to the cities by cutting strategic roads.

I am inclined to believe that the major enemy intention remains political, i.e., that while he may have hoped to achieve some military decision through surprise and treachery, having failed in this objective his strategy is now directed at achieving a strong posture for negotiations. To this end he will coordinate and apply all his resources, military, political and psychological here and abroad. If this is a correct appraisal we can expect him to maintain pressure in the northern provinces and the central highlands by his main force units; to keep up harassment and infiltration of the cities, and to maintain tension in the population through assassination, propaganda and terrorism; and to attempt to take over as much real estate as he can in the rural areas. At the same time, we can expect him to carry on psychological warfare playing on the well-nigh universal desire for peace and an end to destruction and
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killing, with promises of representative democracy in an independent South Viet Nam; and to continue propaganda abroad on the sweet reasonableness of his proposal for cessation of the bombing.

Conclusion: We shall have our work cut out for us in the months ahead.

If the enemy follows the strategy I have suggested, we shall have to meet a massive military threat from a disciplined and resourceful foe. But with continued improvement of and additions to the Vietnamese forces (and I think we shall also need some additional troops), I am confident that we can meet any threat the enemy can pose.

There is a massive reconstruction task facing us that will take time and a large allocation of resources. Housing must be constructed, industry restored, utilities repaired, roads and waterways opened, repaired and secured, the public health protected, and relief measures expedited. The GVN has made a good beginning but manpower, management and resources will have to be effectively coordinated to get the job done in the shortest possible time.

We must win the race to the countryside, go on the offensive, destroy the VC who for the first time are in the open, and fill the vacuum which now exists.

We must re-establish security in the rural areas, in the hamlets and villages, as well as in the towns and cities to restore people's confidence in our ability to provide security. The farmer must have confidence to plant his crops, the businessman to start up trade and commerce, the laborer to know that his job is secure.

The economic dislocations and inflationary pressures which the present crisis has caused must be foreseen and guarded against. At the same time, we should re-examine our aid programs and prune out the non-essentials.

The reforms which the government has promised must be pressed. Especially advantage should be taken of the present situation to evaluate the performance of officials and the incompetent and corrupt in both the civilian and military organizations should be weeded out. Administrative reforms and the attack on corruption should be pressed. The social revolution which the people have been promised not only can go forward, but it can help to make the accomplishment of all other tasks more possible.

We must take advantage of the mood of the people, seize the occasion. There is more unity perhaps today than has ever before existed in the country. People have come forward wanting to help in the reconstruction, to support the government and to organize themselves for self-defense. But they want action by the government, they want imaginative leadership. Young and inexperienced though it is, we have tried to impress on the government—I have tried to impress on Thieu, we have tried to impress on all the members—that this is the time to act, a time "to nobly win or meanly lose the last best hope" for their country. We shall keep working along these lines to the best of our ability. If we stick with it I am confident we will come out all right in the end.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FORTY-SECOND WEEKLY TELEGRAM, MARCH 6, 1968  In my last week’s message, I attempted to give an interim evaluation of the effects of the Tet offensive pending more detailed reporting from the provinces. I think it is important also to try to make some evaluation of what motivated an obvious change of tactics on Hanoi’s part and what the implications are of their failure to achieve their immediate objectives in order to plan for the period ahead. I should also like to mention some of the things to which I think we should be giving top priority.

This change of tactics represented a radical departure from the theory of a prolonged war. It may be that the most likely reason for the change, a view shared by Thieu, was a growing awareness on Hanoi’s part that the war was not going well; that with the great increase in American power, the progress toward a representative, nationalist government in South Vietnam and the spreading of pacification through the countryside, the gradual approach did not seem capable of coping with it. Hanoi also undoubtedly calculated that it had assets it could use in South Viet-Nam in the anticipated wide popular support and defections from ARVN. Their widespread propaganda to this effect would indicate that this was an essential part of their plan.

The communists seemed to have hoped that the result of the initial offensive would leave them in control of a number of cities and perhaps portions of others, including Hue and Saigon; that the countryside would have come into their hands automatically through victory in the cities; that there would be enough popular response to enable them to form coalitions between the NLF, newly formed front groups like the Alliance of Democratic and Peaceful Forces, and independent “progressive” groups to govern on the local and ultimately perhaps on the national level. Not only was the GVN not envisioned as part of the coalition, but on the contrary the communists expected that it would have been discredited, its army weakened by the defection of large numbers of troops, the U.S. humiliated by occupation of its embassy and attacks on other installations, and disillusioned with the showing of its Vietnamese allies against whom the brunt of the attack was directed.

In such a situation, Hanoi would be in the posture of strength from which they would like to negotiate hoping thus to achieve a ceasefire and provisions for eventual American withdrawal; and perhaps under such conditions quite willing to accept a coalition between the NLF, the newly created non-communist fronts, and independent “progressive” groups.
It is clear that the communists have not achieved anything like these expectations, but it is undoubtedly true also, as Thieu has said, that they have had a fall-back position. It would appear now that while they have kept up some harassment of the cities, they are in the process of making an assessment of the present situation and there have come hints of a new course of action. In recent propaganda there is renewed emphasis on the countryside, the “destruction” of the pacification campaign as a major achievement of the offensive. The suggestion arises they may now try to move to exploit their current gains against our rural programs.

Another current theme is the “collapse” of the GVN administration. We may expect that the GVN at all levels may be a continuing target in the period ahead through what Thieu referred to as “political spoiling tactics,” propaganda, assassinations, and terrorism. A third element in the communist propaganda is the frustration of the U.S. “search and destroy” programs. They claim that they are tying down our troops in a defensive role. And the importance of Saigon and Hue in current communist propaganda would indicate that these may be, as Thieu has said, two principal targets of future communist military action.

As I have previously mentioned, there are options open to Hanoi and their choice of options will probably depend on their assessment of the developing situation in the urban and rural areas of Viet-Nam and the outcome of new military engagements. But it may be significant that communist propaganda is now speaking of the long war, of the need for each victory to be the basis for another, and of the stubbornness of the Americans. They are not promising easier, quick solutions. This may well indicate that the strategy outlined by Thieu in his recent conversations with me, which I have previously reported, i.e., pressure in I Corps and the central highlands to tie down our troops, harassment of the cities, and an attempt to take over the rural areas, may well be the course they will follow. This could involve a prolonged effort through the spring and summer (Thieu sees a critical period as probably May–October) in the hope of attaining their political objective of achieving a strong posture for negotiations.

But while because of the nature of the war, the enemy may have options, we have opportunities which through prompt and decisive action can be turned to our advantage; action as prompt and decisive as lies within Vietnamese capabilities, channeled by our advice and guidance, and stimulated to the maximum extent possible by our persuasion, prodding, urging, and leverage. The following are things to which we are giving top priority:

(A) Vigorous prosecution of the recovery program. Priority to adequate care of the refugees, construction of housing, repair and replacement of facilities such as ports and waterways, lines of communication, industrial plants, and utilities, restoration of security in urban and rural areas. The GVN has moved with commendable promptness and vigor. Thieu is chairing central committee meetings twice weekly and has made prompt decisions to eliminate delays and bottlenecks, cut red tape, get funds and supplies quickly into the
hands of the refugees, placed a ban on luxury construction, and started the rebuilding of homes.

(B) Resumption of aggressive offensive operations. It is essential that this should be undertaken throughout the country in order to preempt the vacuum left by the withdrawal of our forces to defend the cities and towns and by the Viet Cong forces for the attack. In a number of provinces, the Viet Cong have themselves attempted to fill this vacuum, spreading propaganda, increasing recruitment, collecting food and intimidating the population. It has been necessary first to reinforce and bring our forces up to strength, and they are now going over to the offensive. General Westmoreland and General Vien have worked out plans jointly with the corps commanders and our own forces commanders for sustained offensive operations and these are now being initiated.

(C) Mobilization. I have already reported Thieu's intention to increase the Vietnamese armed forces to the maximum possible within the capabilities for training and equipment. He believes that manpower is available to mobilize an additional 100,000 men and that it might even be possible to stretch this to 125,000. Drafting of 19-year-olds is scheduled to be completed by April 30, and 18-year-olds by June 30. Thieu has said to me if necessary to achieve the required number, the draft age should be reduced further to 17. Thieu wants to achieve this force increase as rapidly as possible, hopefully within the first six months, since he views the period May–October as critical. The provision of necessary equipment will be essential to making effective use of this increase. At the same time, we shall need to make optimum use of available manpower in order not to cripple essential civilian operations while increasing the armed forces.

(D) Reorganization of the Armed Forces. A beginning has been made in the appointment of Generals Lu Lan and Thang to command the second and fourth corps. Evaluations should be made of the performance of all commanders, those whose performance was unsatisfactory replaced. It is essential to upgrade the leadership of the Vietnamese forces. It is also essential, I believe, to improve the equipment of these forces. It is difficult to expect the maximum in morale or performance of troops who go into combat knowing they are outgunned by the enemy.

(E) Attack on the infrastructure. A considerable portion of the infrastructure has surfaced and the opportunity to attack it is now better than at any previous time. Operation Phoenix, which is directed at the infrastructure, must be expanded and like the service, weed out incompetents, substantially reduce the number of employees, adequately compensate the remainder, thereby increasing efficiency and reducing the incentive to corruption. A school for the training of province chiefs was inaugurated March 1, with 30 candidates enrolled; training will be completed April 1. Thieu has told me he will go ahead immediately with the replacement of the five of six poorest of the province chiefs and will replace others on April 1 from the candidates now being trained. He has in his possession a list of province chiefs whose performance
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we believe has been unsatisfactory.

(G) Stabilization and other economic measures. Added inflationary pressures will develop and the budgetary gap increase as a result of expenditures for recovery and increases in the armed forces as well as through a loss of taxes because of the widespread destruction of property by the Tet offensive. Since it is doubtful that Thieu will get the decree powers he has requested from the Assembly, he told me yesterday, he plans to request additional taxes when presenting a supplementary budget to the Assembly. These would include direct and indirect taxes, customs duties, and poll taxes. In addition, he is establishing a national fund for solidarity and reconstruction, through which he hopes to secure very substantial contribution on a country basis.

(H) Mobilization of all available resources, material and spiritual. The government must capitalize on all of the resources available to it. These include not only such things as increasing the armed forces, the optimum and most efficient use of manpower, but also all the voluntary offers of aid and assistance which have come to it or which can be organized and used effectively. The spirit of cooperation and unity which developed in the wake of the Tet offensive must be channeled and harnessed to effective purpose. The fronts being formed by Tran Van Don and Tran Van An, a front being formed in Danang, are examples. These should work together cooperatively and if possible tied together in a super-front. Thieu’s continuing consultations with group leaders, enlisting their advice and support and those of the groups they represent is another hopeful development. The relief work of the CVT labor unions is still another example of voluntary cooperation. These and similar efforts need to be stimulated and inspired by vigorous leadership. This I have been trying to impress on Thieu in my almost daily encounters with him.

(I) Thieu/Ky Relationship. Given the difference of temperament of the two men this will always be a difficult matter and one that will need constant nurturing and watching. I felt that it had considerably improved up to the time of the Tet offensive and through the early days of the attacks. Now it has retrograded. Again, in considerable measure I fear through the ambitions and scheming of people around them, and I shall have to take prompt measures to attempt to restore it.

(J) Restoration of confidence. Security is the key to this. People want assurance that the government is able to provide security, that the armed forces can and will protect them; that there is no competition for power within the government; and that the government will no longer be a sanctuary for privilege and corruption, that incompetence will be weeded out. People want information not only about what the government proposes to do, but what it is doing. They want the government to take them into its confidence. Hopefully, this in time will engender trust in the government, eventually overcome the ingrained cynicism and disillusionment toward the government which is characteristic of the Vietnamese people. In a people as highly individualistic, skeptical, and prone to intrigue as the Vietnamese, this is a large order, but I think people everywhere tend to respond to a call to greatness.
Thieu told me on March 5 that he has begun to choose the members of his council of advisors, a process which he expects to conclude in a few days. While he did not say whom he is considering, we understand that they will be drawn from the men with whom he has been consulting over the past several weeks. If Thieu succeeds in getting a fairly wide range of respected political and religious figures into his advisory council, I believe it will be a significant step toward the broadening of support for the government.

In any event, Thieu intends to push for wider support in a variety of ways. He told me March 2 that even after forming the advisory council, he means to continue his informal meetings with the leaders of various groups. While this effort is hard to evaluate, we have some reports from participants which suggest it is at least a useful way of putting across government policies and blunting opposition. The participants are flattered, if nothing else.

I have encouraged Thieu to develop closer relations and have more personal contact with Assembly leaders. (This seems particularly important in light of the lower house action rejecting his request for emergency economic powers which I will discuss more fully below.) Thieu had lunch with ten Assembly leaders March 5, and I believe he has become fully aware of the need to continue to cultivate them.

I have been urging Thieu to make frequent and brief radio and television appearances to inform the people of his government's programs and achievements. As I reported last week, he made a very good, if long, speech February 28, and since then has also met several times with foreign correspondents. He thinks informal meetings with the foreign press are useful—as I certainly also do—and he told me that he intends to have selected pressmen to the Palace for lunch from time to time.

Thieu is making a special effort to help the people of Hue, having named a personal representative, Father Cao Van Luan, to act for him there, and he has in various ways demonstrated both publicly and privately his concern for the victims in the unhappy.[sic]

Thieu/Ky Relations. On the negative side, as I noted above, I am now concerned at what appears to be a deterioration of the personal relations between Thieu and Ky. On March 2 Thieu told me that he had that same morning a long talk with Ky about enemy strategy, troop requirements, and the pacification effort. It was apparent from Thieu's discussion that he and Ky were in substantial agreement on these topics. Thieu further said that he had asked Ky to accompany Minister Tri in an effort to evaluate countrywide the state of the pacification effort, and that Ky would be making recommendations to him after the survey was complete. I was encouraged by these and other remarks from both Thieu and Ky to believe that they were continuing to find ways to cooperate in dealing with national problems.

However, on March 5 I found Thieu in a plainly different mood with regard to Ky. Whereas on March 2 he had laughed about the rejection by the lower house of his request for special economic powers and said he was not disturbed by the Assembly action, on March 5 he told me he thought the ad-
verse vote was the result of threats by General Loan. He noted the connection between Ky and Loan, said that Loan's actions are tending to create two governments, and observed that although he has tried to be kind and friendly with Ky, Loan's actions make it very difficult.

Prime Minister Loc earlier told Calhoun that the Assembly members responsive to Ky and Loan had received no instructions from them with regard to the request for special economic powers and spoke very critically of Loan and his henchman, Mai Den. We are not clear whether Ky simply failed to use his influence or Loan actively sought to have the measure rejected. In any event it is clear that Ky did not do all he might have to assist the President in a rather important matter, and Thieu is understandably disturbed by the fact.

The same day, an Embassy officer found Ky in a critical mood, complaining that Thieu's failure to take decisive actions was causing unrest and dissatisfaction among elements of the armed forces. In all of this I suspect that, as usual, their entourages are much to blame.

I advised Thieu to have another frank talk with Ky about the matter, and I also made a point of assuring him that as president he has our strong backing. But I said that as president it is he who must take the initiative. As I mentioned previously, I shall be following up actively on this to get them back on a cooperative footing.

The Fronts. Tran Van Don expects to hold his national convention for the National Salvation Front on March 10 as scheduled, but it is not clear how successful he will be. Many people are suspicious that the front is a Ky vehicle, and such stories are fed by the continued effort of Tran Van An to form his own front. An is seen as Thieu's man, put forward to undermine the Don front which represents Ky. Judging from what Thieu and Ky have told me there may be no real substance to these stories, but their existence is a political fact and they are so widely believed that people like Tran Van Huong are doubtful about continuing their association with the front. The militant Buddhist representative, Thich Thien Minh, has in fact definitely withdrawn, apparently because of the arrest of Thich Tri Quang. (Minh links the front to Ky, and he blames the arrest on Ky's man, Loan. Hence he pulled out of the Don front as a gesture against Ky.)

Efforts to bring An and Don together went forward last week. And the two groups met again Monday. Don reported to one of our embassy officers that An "made too many conditions" to permit a merger, and he said that he does not expect An and his group to take part in the March 10 convention. However, Thieu's brother Kieu told Calhoun yesterday that he expects An may attend in his personal capacity and may be elected by the convention to the steering committee of the front. If this should happen, some of the talk about a Thieu/Ky split being mirrored in the fronts would probably subside, and Don's prospects for building a broader anticommunist coalition would be considerably improved.
I think that Don's front would be most useful as a device for reconstruction efforts now going forward throughout the nation. Don has these ideas in mind, but he also is thinking in terms of civil defense. We are inclined to be a little doubtful about the front's role in civil defense, as that kind of organization, particularly if it involves setting up local militia, would need to be rather tightly tied to the government security arms.

As I noted above, President Thieu has put special emphasis on the relief program in Hue. He cited three reasons for this emphasis: (A) Hue suffered extremely heavy damage; (B) Hue is the "second capital" of South Viet-Nam, and so has great psychological importance to all of the people; and (C) the government must erase the impression that Saigon neglects the people who live near the demilitarized zone.

Latest information from Hue is that the refugee population there has declined to 22,000 as improved security permitted many people to return to their homes. (The total for Hue refugees now stands at 94,000 but local officials expect this figure to shrink rapidly as more refugees return to their homes.) Neither rice nor funds are a problem in Hue, with 30.6 million piasters allocated and large rice shipments enroute.

In I Corps generally there is now an 1800 to 0800 hours curfew with the exception of Hue which still has a 1600 to 0800 curfew. General Lam is considering setting the curfew at 1900 to 0700 throughout the Corps area. We also have reports of the organization of self-defense system in I Corps, with more than 5,000 already involved. (Of these, more than half are civil servants and about 40 percent have been armed.) Plans are for 2,000 persons to be recruited in each province, with emphasis on the cities.

The Recovery Committee now has two teams traveling in the provinces, explaining government policies, carrying back emergency request, and getting a first-hand view of the situation. The teams bring back mixed reports. Some provinces, with capable, resourceful leaders are able to convert the policies and assistance furnished by Saigon into meaningful progress. Others are still floundering.

Pleiku, for example, has issued reconstruction materials and allowances to half of 1,000 homeless families, schools have been reopened, refugees in temporary camps have been reduced from more than 20,000 to zero, all roads have been restored to pre-Tet security conditions, many members of the VC infrastructure have been rounded up, and the 1968 pacification plan is being carried out. By contrast, a sorry lot of Kien Hoa province officials, including the province chief, are holed up in battered Ben Tre, guarding the city with the bulk of the provincial forces against an enemy whose strength and location are virtually unknown. Kien Hoa's 22,000 evacuees are still living in squalid camps, rubble has not yet been cleared from the city streets, no reconstruction materials or allowances have been paid to any homeless family, and the police are totally inactive in attacking the VC infrastructure.

Most provinces fall somewhere between Pleiku and Kien Hoa, with good examples beginning to outnumber the bad.
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As noted above, President Thieu has organized a recovery fund drive starting March 10 and lasting one month. Army and civil servants are being asked to contribute on day's pay. The unofficial drive now underway has already netted more than 70 million piasters in Saigon/Gia Dinh. Most provinces are finding that local businessmen and civic organizations are eager to contribute to local campaigns. This spirit of helpfulness and charity in time of emergency is an encouraging sign.

Among this week's accomplishments, the following are noteworthy:

(A) Distribution of reconstruction commodities began Monday in Saigon (each homeless family receiving 10,000 piasters, 10 bags of cement, and 10 double sheets of roofing).

(B) Curfew was regularized in Saigon from 1900 to 0700, allowing people to put in a full day's work and commercial activity to revive substantially.

(C) The schedule for opening schools (March 11 for the university; April 1 for all others) was announced.

(D) Funds were allocated to the provinces for recovery and reached VN$503 million, with more available to support plans when they are submitted and approved.

Some outstanding problems include:

(A) 600,000 post-Tet evacuees are still on the government's hands. (I estimate the number has peaked out.) There are indications that a goodly number of these are not bona fide refugees, i.e., they have homes to which they can return but find the dole attractive.

(B) In some cases cash is not getting to the provinces even though funds have been allocated (we will furnish Air America planes to carry piasters to provinces instead of relying on largely inoperative mail to deliver checks.

(C) Gasoline is in short supply in many outlying provinces.

(D) Road/waterways is still not back to pre-Tet levels. As a result, commercial traffic is not flowing freely.

(E) Rice is stacking up in the Delta, and in Saigon. With regard to the pacification program, I reported last week on our preliminary assessment of the status of that effort after the Tet attacks. Our great interest in getting back into the countryside as rapidly as possible is shared fully by President Thieu. He has stressed to me more than once his feeling for the importance of regaining the initiative and moving out from defense of the cities into the rural areas. As I have mentioned, both Gen. Westmoreland and Gen. Vien are visiting field commanders to explain their concept of a stepped-up offensive campaign which has in fact been kicked off in some areas.

No one, not even the enemy, knows precisely the conditions in the countryside. As Bob Komer has explained, it's a matter of aggregating what is happening in 12,600 hamlets; what 4,000 PF Platoons and 900 RF companies are doing; activities of 555 RD cadre teams plus 108 Truong Son teams; the status of police forces in 44 provinces and districts; as well as discovering just what the enemy is up to. A cadre team census shows 321 of 555 RD teams now in their assigned hamlets (through many are engaged wholly in defense as
opposed to their normal activities). Part of the offensive campaign will be to reinsert RD teams, restore lost RF/PF outposts (which now total more than 200), reopen (repair if needed) secondary roads, and re-establish GVN sway over the rural population. Where forces and cadre teams have already returned, they are not finding that the VC’s short duration attempts at their particular brand of pacification have been any more successful on the skeptical peasants than the GVN’s program would have been over the same time span.

The Assembly is still in a generally cooperative mood in spite of the lower house rejection of the President’s request for emergency economic powers. The debate that led to that rejection was restrained and very responsible for the most part, with emphasis on the constitutional problem. A number of deputies and senators have made it clear that they intend to act fast on any legislation which the president submits.

The lower house expects to complete work on the budget in seven or eight days. This will probably result in final approval of the budget being voted by the Senate about the end of the month. We anticipate no significant alterations in the budget by the Assembly, particularly as there is sure to be a supplementary budget request as a result of the Tet attacks.

The lower house is only now completing its organization into blocs. The Democratic Bloc, with 42 members was formed February 27. Generally pro-government, the bloc is in many respects the lineal descendent of the Democratic Alliance in the Constituent Assembly. Some of the membership is the same, and like the alliance, the new bloc includes a majority of the ethnic minority representatives. Also like the Democratic Alliance, the Democratic Bloc is understood to be responsive to the direction of Vice President Ky.

A Catholic–Revolutionary Dai Viet alliance took shape in the independent bloc which was officially formed March 5; it has 21 members. Two other blocs are reportedly in the process of formation, the 20 members New Society Bloc and the Unity Bloc with 19 members. Membership of the latter two has not yet been announced.

Monetary data just released by the National Bank, the first available covering the period of the Tet offensive, show a VN$9.2 million (11 percent) rise in the money supply during the period Jan 13–Feb 17. The increase amounted to VN$6.9 billion during the week of Jan 13–20 and could be attributed almost entirely to payment of the Tet bonus and prepayment—one week ahead of normal schedule—of January salaries. Money supply increase during Jan 31–Feb 17, i.e., since the onset of the attacks was VN$2.4 billion, or barely more than the normal increase for the period.

Both the overall USAID price index and its food portion rose 1 percent during the week of March 4. Rice prices were lower, most protein food prices unchanged, and vegetable prices were sharply higher. Cause of the latter appears to be the movement last week, for security reasons, of truck distribution points, and hence the effective wholesale market, to points outside of Saigon. The USAID index now stands 11 percent above Jan 22 (last pre-Tet calculation) with the food portion of the index up 17.5 percent.
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It is expected that a new PL480 agreement, for the provision of 100,000 tons of rice to Viet Nam, will be signed at the beginning of next week. The GVN has agreed to increase the selling price of imported rice, and has also agreed to purchase additional rice from the United States, using its own foreign exchange.

The domestic rice situation is gloomy. The March-April crop in I Corps will be severely reduced, not simply by military activity; but also because that area has suffered from a drought. While the IV Corps crop was relatively good, little rice has been transported to Saigon since mid-January due to VC interdiction of roads and waterways; these transportation difficulties, plus the reluctance of merchants and bankers to risk further purchases of Delta rice, have led to a sharp decline in paddy prices in the Delta. In this situation as in so many others, the re-establishment of security and the return of confidence are essential.

We shall be pushing for these and other priorities I have mentioned as hard as we know how in the days ahead.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FORTY-THIRD WEEKLY TELEGRAM, MARCH 14, 1968 In my last two messages, I reported on our preliminary readings on the effect of the Tet attacks on the situation countrywide, and their meaning in terms of enemy strategy. It is clear that we must push ahead not only with the recovery program to get things back to the pre-Tet normal situation, but also move ahead as rapidly as possible toward achievement of our longer range priority objectives, i.e., mobilization, reorganization of the armed forces and civil administration, pacification, the attack on corruption, and economic measures. These latter will first have to be concerned with a restoration of the badly damaged economy, and in restoring confidence in the business and farming communities before any real advances can be envisaged. Taxes will have to be increased to close the inflationary gap and a vigilant watch kept on the upward pressure on prices. In surveying the situation this week, I can report progress on both the recovery effort and on some of our longer range objectives. At the same time, there are areas where we face continuing difficulties.

Progress is evident in the following areas:

(A) President Thieu is continuing to take an increasingly active and decisive role in the government, providing more effective and more visible leadership than at any time in the past. Because of his temperament, he does not give the picture of the dynamic, charismatic leader that we might think of as ideal. But he has shown increasingly a desire to take hold of the reins and I think he is doing better in both American and Vietnamese eyes. He has continued to chair meetings of the Central Recovery Committee where he has made quick, sound decisions, pushed his ministers to rapid action, and in general imparted more of a sense of urgency and confidence in the Vietnamese bureaucracy. He has moved to speed up mobilization, has taken steps on administrative reform, outlined his tax proposals, and enforced austerity measures, including the closing of bars and nightclubs, and imposed a ban on luxury building.

(B) In pushing the relief and reconstruction effort, Thieu made a second personal inspection in Hue March 9, where he gave further impetus to the relief effort by making on-the-spot decisions and a display of interest and concern. While in Hue he made a point of contacting ordinary people and touring the entire city to see and hear their problems first hand. General Forsythe, who accompanied Thieu, tells me that the gratitude and warmth of the
people toward him was obvious. Remembering the attitude of the Hue popula-
tion toward the central government in the "struggle" and even in the recent
past, this response to Thieu is doubly significant. On March 11, Thieu also
made a brief radio and TV appearance, as I have been urging him to do, in
which he launched the official campaign for voluntary contributions to a na-
tional fund for the Tet victims.

(C) The relief and reconstruction effort is continuing to move forward
with good results. Universities and some other schools have reopened, relief
convos are moving to Hue and the Delta, distribution of relief supplies con-
tinues, and reconstruction is underway. Some 81 million piasters have been
hand-carried in cash to the provinces to speed the relief effort. In Saigon, the
curfew has been cut by two hours, resulting in improved morale, and the port
is functioning much better, the discharge rate now having reached 8,000 tons
per day. Prices continue to move downward. Nationwide, the number of ref-
ugees now stands at about 500,000 and will probably continue to decline as
people whose homes have not been destroyed move back as security is estab-
lished. Other statistics, though not final, also testify to the magnitude of the
problem. The number of houses destroyed is now estimated at 74,000 and ci-
vilian casualties at 9,100 killed and 21,200 wounded.

(D) The movement back into the countryside has begun. At least 321 of
the 555 RD teams are in the hamlets; 93 out of 109 Truong Son (Montagnard)
teams are also in place. The President has also issued instructions that all RD
cadre would be sent back to normal RD duties effective immediately, and that
they therefore would no longer be supervising refugee camps, manning com-
mand posts, guarding cities and towns as they have been doing in some in-
stances. Both general Cao Van Vien and RD Minister Tri have been making
personal inspections, urging on rural officials an aggressive return to the
pacification effort. The RD ministry also has 12 teams in the countryside to
develop the necessary program changes to adapt RD plans to the present situ-
atuon.

(E) On the military side, an encouraging development was the fact that
both volunteer enlistments and draftees jumped dramatically in February.
There were 10,084 volunteers in February compared with 6,059 in January
and 3,924 in February of last year. Over 10,600 draftees also reported for in-
duction in February, as compared with 3,766 in January and 4,006 in Febru-
ary of last year. It is worth noting that despite personnel losses in the recent
heavy fighting, RVNAF unit strength is generally satisfactory and GVN forces
are maintaining a high level of combat effectiveness. Of the 155 RVNAF
maneuver battalions, 98 were combat effective as of February 19, but this had
jumped to 118 by March 1. Average countrywide present-for-duty-strength of
RF companies is 99 (full strength, 123) and for PF platoons is 29 (full
strength, 35).

(F) A Civil defense directorate was established in the Ministry of Interior
March 7. The organization of local units is going forward throughout the
country, and at latest reading there were nearly 19,000 volunteers in 20 prov-
inces.
The Prime Minister has signed a decree on the organization and functions of the new Directorate General of the Civil Service which should provide a sound institutional base from which to launch an effective reform program within the civil service.

Tran Van Don successfully held his national congress to form a broad, nationwide anti-communist front on March 10. While there were some conspicuous absences among the invited notables, attendance was impressive in terms of the wide span of political elements represented. Also noteworthy on the political scene this week was the passage by the lower house of the national budget, with no significant changes from the administration draft. The budget now goes to the Senate.

Among the difficulties still confronting us are the following:

(A) Perhaps the most negative development this week has been an obvious tendency on the part of some Vietnamese leaders to return to politics as usual. While the success of the Tran Van Don congress testifies to the continuing strength of the feeling of national unity which emerged from the Tet offensive, there have also been disturbing signs that characteristic Vietnamese factionalism is again emerging. Most troublesome in this category have been reports of intention by Ky, particularly spread by his supporters, to force a change in the power structure which would give Ky more authority. Some reports even went so far as to suggest a forcible change in government leadership might be in the offing. I took up this matter specifically with Ky yesterday morning and will report on it in more detail in the political section.

(B) Related to the Thieu/Ky problem are the continued activities by Tran Van An and Nguyen Van Huong to form political organizations which are generally viewed to be in competition with Don’s front.

(C) Another matter is the effort by some lower house deputies to place on the house agenda a motion of no confidence in the government, although at last report it appears that this may not materialize.

(D) The enemy continued to pose a formidable military threat in several areas. He is apparently having considerable success in recruiting to make up for losses as well as continuing to reinforce his shattered units by infiltration. The situation seems to be most serious in the delta. Ky told me this morning that General Thang had reported to him last Saturday that 367 outposts had either been overrun or their complements withdrawn to defend the towns and that some 2,000 men, with as many weapons, are unaccounted for; whether they were killed or deserted is not known. There are reports that Viet Cong recruitment starts at age 14 for guerrilla forces and even as low as age 10 for hamlet defense units. Harassment by mortar and rocket fire, sometimes accompanied by ground assaults or the planting of rumors of pending offensives, have created fear and uncertainty among some urban dwellers as well as a lack of confidence in the ability of the GVN to provide security. But with the U.S. and ARVN troops beginning to go over to the offensive, the initiative appears to be shifting to the Allies. Communist documents have emphasized the need for “continuous and fierce attacks” to prevent the allies from going on the
offensive. The enemy's fears may be justified, for last week a majority of the ground contacts were allied-initiated, with the enemy generally attempting to disperse into small units to avoid combat. The low level of enemy activity and the unusual risk in attempting to bring in supplies by sea suggests that he is having logistic difficulties, or that he is trying to conserve his strength for another big effort. I Corps is an exception to this general statement where the enemy seems to be preparing for large-scale conventional warfare.

(E) CVT labor leader Vo Van Tai, along with Tri Quang and several other prominent oppositionists, remains in jail. This seems to have had relatively little impact on Vietnamese opinion, but it continues to hurt the GVN image abroad. The fact of Vo Van Tai's detention seems to be the only element which has had a disquieting effect on the two-man AFL-CIO delegation, headed by Irving Brown, which is here discussing relief and longer range cooperation with the CVT. I expect to have a full report from them today on the results of their meetings here which Brown told me yesterday had been otherwise very satisfactory. We shall be reporting on this separately.

Administrative Reforms: I reported last week the removal of two corps commanders and the decision to make province chiefs directly responsible to the central government. The full effects of these two important decisions are not yet clear. In IV Corps, General Thang is predictably making an initial impression by his drive and color. He has reportedly eliminated noontime siestas and has a seven point program which he launched at a meeting with the IV Corps province chiefs March 9. While less dynamic than Thang, II Corps commander Lu Lan is expected to be a considerable improvement over his predecessor because of his intelligence and his willingness to listen to American advice. General Westmoreland reports that he was greatly pleased with the meeting which he and General Vien had with General Lan recently.

Thieu is now moving on the replacement of province chiefs who have not performed satisfactorily. The appointment of eight new province chiefs was announced this week, of which six replaced men who are being removed for inefficiency. President Thieu has divided all of the province chiefs into three categories: (A) "Bad, Urgent"—about seven men who must be relieved no later than March 20 (this leaves one to go); (B) "Bad, Not Urgent"—these will be replaced when the course for province chiefs is completed on or about April 1; and (C) "Good, Need Refresher Training"—these are men who will be included in future courses for province chiefs. Thieu implied that the last category are basically good men who need to be updated on government policies and indoctrinated very carefully on the anti-corruption and administrative efficiency concepts of the president. In discussing the removal of the province chiefs, Thieu said he has our list of 13 men who should be relieved and that he is using it.

Thieu is also having instructions prepared to implement his plan to appoint civilians as government delegates in the corps areas. The instructions will define the functions of the corps commanders, the government delegates, and the province chiefs, and the relationship of each to the central govern-
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ment. Six administrative regions will be established, each headed by a civil-

ian delegate who will be appointed by the President. The delegate will assume
the administrative functions which were formally delegated to the corps com-
mander, leaving the latter with authority in the military sector only. The
delegate will act as an inspector of overall civil administration activities in his
region. While he will not have authority over the province chief in the chain
of command, he will see all correspondence between the province chief and
the central government and, therefore, be in a position to advise and influence
both. On administrative matters, the delegate will report to the Ministry of
Interior or other appropriate ministries, but will report directly to the
President on political matters.

Popular attitudes in the provinces: it is difficult to generalize about public
opinion in most situations in this country, and that is particularly true at the
present time. People are still unsettled by recent events, and their attitudes
are still changing. Many remain very ill-informed. Purely local events
influence them heavily in many cases. Some are more subject to enemy prop-
ganda than others. Still, I think we can make some meaningful statements
about the state of popular attitudes in the provinces at this time.

The Tet attacks certainly inspired fear of the communists among the pro-
vincial population, though there is no evidence of any increased positive sup-
port for the enemy. The fear has probably been reinforced by what now ap-
ppears to be fairly intense communist activity in the countryside since the Tet
attacks. Propaganda and food collecting teams are reportedly active in many
areas. VC control or influence in many villages and hamlets is evidently ade-
quate to permit fairly large-scale recruiting and intensive propagandizing.

At the same time, the provincial population has noted that the commu-
nists were thrown back with heavy losses, that the GVN did not dissolve, and
that there was no general uprising. There is some pride in the fact that
ARVN fought well, although this feeling is marred by ARVN looting in a
number of areas. Those who are connected either directly or by family ties
with the army or the civil administration—and this is a significant number of
people—are relieved to find that the enemy offensive failed to undermine the
GVN or the Vietnamese military establishment.

It is also worth noting that the stories of U.S. collusion with the Viet Cong
still are credited to a considerable degree, especially in I Corps. In areas
where U.S. forces have been heavily engaged and where the local population
has seen U.S. casualties, the collusion stories tend to die quickly.

In I Corps the population is keenly aware of their close proximity to
North Viet Nam. Communist forces are known to be present in strength in
nearby areas, and there is considerable fear of renewed communist attacks.
While the presence of U.S. forces is reassuring, the recent attacks, particularly
the long struggle for Hue, have tended to revive the rumor that the U.S. will
abandon the two northernmost provinces to the enemy. There has been a
general lull in both VC and NVA activity in I Corps since the beginning of the
month, but enemy propaganda operations have certainly continued during the
lull. We have reports of hamlet meetings and leaflets; some of the leaflets are signed by the "National Peace and Democratic Union," the communist front which was launched during the immediate aftermath of the Tet offensive.

One sign of heavy pressure on the local population in I Corps is the report that the enemy is using women in military units in Quang Tin province. Four women were killed in action in Tam Ky district and two in Thang Binh district in recent engagements there.

In II Corps we have reports which suggest there is now significant fear of renewed attacks. In areas which were hit hard there is a widespread feeling that the enemy has made a great leap forward, particularly in their ability to control the economy of the region. In those areas which were not attacked, the people remain basically oriented toward the GVN, but their confidence in the government's ability to protect them has been eroded. Most recent reports indicate that in almost every province in II Corps the enemy has become extremely active in propaganda activities, food collection, and recruitment. There are also numerous reports that the enemy is making a major effort to build up his political organization in the villages and hamlets.

In III Corps the attacks on province and district capitals were not on as large a scale as elsewhere, possibly because VC/NVA strength was diverted for the attack on Saigon. Since the Tet attacks, however, a number of province capitals have been hit by rocket and mortar fire, and major VC/NVA units are reportedly operating in the provinces surrounding Saigon. This has had some effect on the population's attitude, with many fearing that the VC will step up their attacks. Local guerilla forces are active in recruiting, and we have reports of heavy propaganda activities in a number of areas. One line which the communists are pushing is summed up in the jingle "Blood will flow in May, there will be peace in June." This jingle may be part of an effort to justify heavy demands for food and recruits.

Throughout IV Corps the enemy continues to harass urban population centers and cut lines of communication while at the same time tightening its grip on the rural areas. Popular resentment against the VC for exploiting the Tet holidays exists, but it is believed to be much weaker than the prevailing fear of communist power. The enemy is active in recruitment here as in other areas. We have some reports that indicate a decline of morale in My Tho, with a consequent decline in allegiance to the GVN.

As I have mentioned, Tran Van Don launched his front Sunday with a national convention that drew 2,000 delegates, many of them from the provinces. There was a wide spread of political groups at the convention, and Don can claim with some justice that his front now has a broad, nationwide mandate. The meeting was not carried off without some friction; in fact the convention was unable to select a high steering committee, and finally entrusted that task to the central executive committee instead. Also, noticeably absent from the convention were Tran Van Huong, Phan Khac Suu, Ha Thuc Ky, and Thich Thien Minh. (It was announced that Huong and Suu were both ill, but had agreed to serve on the high steering committee if invited.
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Thien Minh reportedly agreed to attend if Tri Quang could be transferred from jail to a clinic where the police could “guard” him as they did for a time following the struggle. This arrangement evidently fell through, as Thien Minh did not appear and Tri Quang is still in jail.)

Don now intends to go ahead with his organizational effort in the provinces. He wants the front to engage in civil defense and relief programs as well as to serve to rally sentiment against the Viet Cong. His success in these efforts will depend in part on how long the present national feelings of unity against the enemy last, in part on how the government—and the factions within it—reacts to his future activities.

Don’s task is also complicated by the continued efforts of Tran Van An and Nguyen Van Huong to form their own political organizations. While An claims not to be in competition with Don, most Vietnamese do not believe him. Huong is plainly opposed to Don’s efforts. Both Huong and An claim to have Thieu’s blessing. A front in process of formation in Danang also apparently plans to function independently.

Thieu/Ky relationship: I referred to this matter in last week’s message, observing that it had its peaks and valleys. I had a long, and I think, constructive and useful talk with Ky yesterday morning and put this whole problem to him fully and frankly, pointing out to him, among other things, the complete unacceptability of any move to force any change in government leadership through unconstitutional methods. He agreed that any such move, to use his own words, would be “disastrous.” He indicated that he was ready and willing to receive instructions from Thieu and to act on them. I found him in a considerably more constructive frame of mind than in my last talk with him. I plan to see Thieu today to discuss this relationship further and to do my best to get it channeled in the right direction.

Much of the maneuvering and pressure with which this relationship has been afflicted has come from the people around Ky; however, it is also clear that he is aware of what is happening and has been doing little or nothing to stop it. I am inclined to believe his motive in this is to try to pressure Thieu—and us—to give him more power and responsibility in the present government. If this is true, it should be possible to find a formula which will be at least acceptable to both Thieu and Ky, and also to us, and I intend to pursue this objective vigorously with them both.

Prices in Saigon have resumed the generally downward trend underway since the early part of the crisis period. The USAID retail index fell 6 percent during the week ended March 11, with food prices alone down 8 percent. The drop in food prices was especially marked in vegetables, reflecting improved traffic conditions on the main routes into Saigon, but also the smoother functioning of the new systems whereby wholesalers must take deliveries of produce outside of the city. With last week’s drop in prices the USAID retail index now stands only 2½ percent above its level of January 27, date of the last pre-Tet calculation. Food prices alone are up 5½ percent and non-food prices
down 5 percent. This is a rather remarkable performance in view of all that has happened.

On Monday March 11, a supplementary PL 480 agreement to provide 100,000 additional tons of rice to Viet Nam was signed. At the same time, the two governments agreed, in a negotiating minute appended to the PL 480 agreement, that Viet Nam would seek to purchase rice commercially in the United States, using its own foreign exchange, to cover the gap between the amounts that can be provided under PL 480 and the nation’s total rice requirement. This residual amount was earlier estimated to be 40,000 tons. The disruption caused by the Tet offensive may well have substantially increased the amount required. GVN commercial purchases of rice in the United States could contribute notably to increasing the total volume of American-origin imports to Vietnam.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FORTY-FOURTH WEEKLY TELEGRAM, MARCH 20, 1968  During the past week, U.S. and GVN forces have increasingly assumed the initiative. At the same time, there has been a corresponding decline in enemy activity. In all Corps areas, enemy harassment by mortaring and rocketing has continued but on a reduced scale. In the major US/ARVN combined sweep from Saigon outward, no contact has been made with any large enemy forces; in withdrawing he has evidently split up his forces into smaller units for protection and to minimize losses. It is interesting that numerous large caches of arms and ammunition have been uncovered, which at first sight appeared to have been abandoned. Thieu said to me yesterday, however, that these had not been abandoned, but had been hidden by the enemy to be picked up when he returned for a second major, all-out effort which, as I have reported, Thieu believes will come during the spring-summer months.

In the crucial IV Corps area of the Delta, General Thang’s performance is instilling new hope and encouragement. He has mounted extensive offensive operations and while these have resulted generally in small contacts with the enemy, they have given evidence of new vigor and determination. The situation in the Delta, however, is still far from satisfactory. The enemy is still able to attack and interdict lines of communications with the result that road and waterway traffic is much below pre-Tet levels. Security in the countryside is unsatisfactory. The Viet Cong continue efforts at recruitment or forced impressment and propaganda. This has led to a feeling of apprehension and uncertainty among the people and, together with road interdiction, has affected the economy of the area. Rice deliveries have fallen to a low level and prices have been falling. The government has taken measures to counter this situation and has organized water transport to bring supplies to the area and to move rice to Saigon. The GVN is moving actively to meet these and other problems in the area, Thieu himself giving them much of his personal attention.

While it is true that I have kept prodding Thieu to action and making suggestions to him, I think it only fair to him to say that he has increasingly shown initiative in dealing with the problems the GVN is facing and in making decisions. He has expressed to me dissatisfaction with the functioning of many elements of the government and is taking steps to remedy them. He has, for example, taken direct responsibility for the Central Recovery Committee; he will also chair the committee on the reform of the civil service, and
on economic development and planning, and invest both with authority they have not heretofore possessed. In fact, if one reviews the number and the importance of the decisions and actions taken by Thieu or at his direction since the Tet offensive, one much conclude, I think, that these are substantial.

(A) Immediate problems caused by the destruction of the Tet offensive have been met, food and shelter provided for some 600,000 refugees, medical assistance given to the wounded, money and building supplies issued to the victims throughout the country to repair and rebuild their homes, and major reconstruction projects started in Saigon and Hue.

(B) The decision has been taken to increase the Vietnamese armed forces by 125,000 men. The drafting of 18- and 19-year-old age groups is being speeded up, and veterans aged 18 to 33 with less than five years of service will be recalled to duty. Military training programs have been started for students and civil servants and stern measures taken against draft dodgers.

(C) The organization of civil defense units in cities, villages, and hamlets has begun throughout the nation. More than 26,000 volunteers have come forward to be trained for civil defense tasks, and the number is constantly increasing.

(D) Strict orders have been issued and repeated for the closing of bars, cabarets, and dance halls throughout the country.

(E) At the direction of the President, the Prime Minister has issued a ban on luxury construction so that resources will be channeled to the emergency building of homes for the war victims.

(F) Thieu has ordered an aggressive movement of Vietnamese forces into the countryside, and is also taking steps to press forward with the Revolutionary Development program. He outlined to me yesterday steps he is taking to simplify, make more effective, and enlarge the program.

(G) In the field of administration reform, a number of constructive steps have already been taken and more are in prospect. Henceforth the province chiefs will be directly responsible to the central government. Thieu has told me that he personally will decide on their selection and take great care to try to secure the best individuals for these important positions, and that he intends to watch their performance closely.

(H) He has also re-defined the functions and powers of the government delegates and the Corps commanders. Further clarification of these relationships is being worked out and will be made effective April 15; the areas of authority of the government delegates will be re-defined in order to strengthen their inspection function. I reported last week on the removal of six province chiefs and the appointment of eight new ones. Thieu told me yesterday he will be making further changes among the province chiefs during this month and still more on April 1, at the conclusion of the training course for province and district chiefs, which was opened March 1.

(I) Thieu has also moved forward on the attack on corruption. Prime Minister Loc reported in his March 14 speech that 32 military men and eight civilian officials had recently been brought to trial for corruption; three of the
offenders have received the death penalty. He reported that many other cases are being examined and that disciplinary measures had been taken against 34 lesser offenders. Punishment included dismissal, reduction in grade, and suspension for investigation. In fact, I think more has been done in the attack on corruption than is generally known. Some 138 province and district officials were removed for cause during 1967. The number included six province chiefs. Of the total, 68 were removed for corruption, 40 for incompetence, and 30 for other reasons.

(J) Thieu has also ordered the Prime Minister to take stern measures against any officials who permit the sale of illegally acquired merchandise such as PX supplies, or relief supplies destined for the victims of the Tet attack.

(K) Thieu has also moved on other fronts. He is seeking the cooperation of the Assembly and endeavoring to improve his relations with the members by holding more frequent meetings with them.

(L) He has also sought the support, advice, and suggestions of all political groups. He has been meeting privately with the leaders of political, religious, and social groupings asking for their criticism as well as for their support. He told me yesterday that he is completing a council or panel of advisers who will cooperate with him and act as individuals in an advisory capacity.

(M) Thieu has also moved to improve the GVN image with the foreign press. He has begun a series of lunches with correspondents, using names which we have suggested to him. He plans to strengthen the Ministry of Information, raising it to cabinet level and appointing Tran Van An as minister with Nguyen Ngoc Linh as his deputy. This should strengthen a situation where performance has left much to be desired.

I shall be reporting in more detail on some of these matters later in the message. But I think there is here evidence of action and movement, perhaps more than has been generally realized. This is not to say that there is any room for complacency. Serious problems confront us and much remains to be done. The situation in the countryside is dangerous, if not critical. But I also want to try to keep things in balance and in proper perspective. I think we have made progress, much has been and is being done, and elements of strength are apparent.

I mentioned above the emphasis which the GVN is now putting on the elimination of corruption and inefficiency. Thieu expressed the seriousness with which he views these reforms when he spoke to the opening session of the school for province chiefs on March 1. He said, "If we do not remedy our spirit and our behavior, we may lose our country—not because of military or political defeat, not because we lack an adequate policy or line of action, not because we lack programs and means, but because of bribery and corruption." Thieu called corruption a "national shame" and told the student province and district chiefs "only when the people know this national shame, are aware of this national shame, and are determined to remedy this national shame, will corruption and bribery be eliminated."
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We have heard from Thieu's brother that the chances are good both Tran Van Huong and Ha Thuc Ky will agree to serve as advisers to Thieu. If this materializes, having both of these senior political figures closely tied to the government would tend to attract a good deal wider support, and we will do what we can to encourage the collaboration of such leaders.

Also on the administrative side, I am encouraged to learn that the Director General for Information and Press wants to establish a joint GVN-US committee to coordinate all psychological operations. The GVN information effort since the Tet attacks has not been very impressive by all accounts. For this reason, among others, Thieu, as I have mentioned, has been considering the naming of a Minister of Information, probably Tran Van An. With more authority, more presidential interest, and more direct cooperation with JUSPAO, I hope that the information effort can be made more effective in the near future. This is particularly important now because of the enemy's increased drive to propagandize the rural population.

The natural desire of the Vietnamese to strike back at North Viet Nam in the wake of the Tet attacks has taken some undesirable forms, as for example the initiatives for a formal declaration of war and the formation of a "March to the North Army." More positive and more practical is the response to the widely felt need for civil defense. The government has not given a very clear lead on this effort, apparently in part because of competing plans and personal rivalries for control of the effort. Nevertheless, at latest report, 27 provinces and two cities have formed civil defense units with a total membership of 26,417. Of these, 6,136 are armed.

If these efforts can be drawn together and controlled so as to form the civil defense groups into effective auxiliaries for the regular security forces, I believe they can make a most valuable contribution to both security and intelligence. This is particularly true in the urban areas. It was for this reason that I encouraged Thieu to consider appointing Ky as the head of a nationwide civil defense drive and he has now spoken to him about it. The attraction of the "March to the North Army," the wish to do something concrete against the enemy, can and should be transferred to the war in the south and thus to the civil defense effort.

Tran Van Don is apparently going ahead with his efforts to extend his front organization into the provinces and districts of the nation. A Quang Tri provincial organization is reportedly in process of being set up by the Quang Tri delegates to the front's March 10 congress in Saigon. Don and a delegation of front leaders went to Hue March 15 where Don addressed the people over Radio Hue. He expresses his sympathy for the victims of the Tet attacks and explained the objectives of the front. We understand that there is also a possibility of the locally formed and independent Danang anti-Communist political front merging with the Don front. At this time, however, we have no other reports which would indicate front activity at the rice roots.

Thieu told me March 15 that Don had been to see him to report the results of his March 10 convention. Thieu said he had encouraged Don to
continue his efforts to attract political groups, and he offered his own support if Don's efforts succeeded. Don also told us of his meeting with Thieu, and he mentioned Thieu's offer of help. According to Don, he got a similar offer from Ky, to whom he also reported the results of his convention.

In discussing the Don and Tran Van An fronts with me, Thieu remarked that he has no front organized by or for himself. I take it from all this that Thieu intends to allow Nguyen Van Huong, Tran Van An, and Tran Van Don all to go ahead without any clear signal from him about his ultimate support. As it is quite unclear how successful any of the three can be in putting together a viable political organization, this is perhaps the most prudent course, though not perhaps the best way to capitalize on the popular feelings about the need for unity following the Tet attacks. I am encouraged in any event to observe that Thieu and Don are seeing one another with some regularity, with Thieu being willing to help Don if the front seems to offer a real means for uniting the people.

Probably in part as a result of the intervention of Irving Brown, Vietnamese CVT labor leader Vo Van Tai was released from jail March 15. Tai has told us that he was questioned closely by the police about several strikes in which he was involved, apparently in the belief that the strikes were in part instigated by the Viet Cong. Tai believes that he may in fact have been in some danger of capture or assassination by the Viet Cong, but he does not think that his imprisonment was motivated primarily by that consideration. In any event he has been released, and this move, while long overdue, should serve to improve relations between the CVT and the GVN.

Noteworthy in Assembly developments this week were committee hearings on press censorship and the formation of a lower house opposition bloc. On March 16 the Senate Committee on Information and Foreign Affairs held an open hearing at which press representatives were invited to express their views on censorship. Some 25 to 30 publishers, editors, and reporters appeared, and the predictable consensus was strongly in favor of abolishing censorship.

On March 19 the Director General of Information, Nguyen Ngoc Linh, appeared before the Senate Information Committee. Linh said the government also favors dropping censorship, but noted the dangers to national security if the press is completely uncontrolled. Linh also said that he is submitting a draft press law to the Prime Minister. (The lower house reportedly has a draft press law of its own under study.) Lower house chairman Luong told Embassy officers recently that the press law has a very high priority, while the chairman of the Senate Information Committee told reporters that the press law will be on the Senate agenda for the regular session beginning April 1. It thus appears likely that the Assembly will complete a press law even before turning to legislation to set up such government bodies as the Supreme Court.

In the lower house Deputy Ly Qui Chung has formed a People's Bloc of 17 deputies, ten of whom were in the past associated with the Buddhist "struggle" movement. Given the predominance of these "militant Buddhists"
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in the bloc, we rather expect the bloc to play the role of militant opposition. (It was this group which pressed unsuccessfully for a discussion of non-confidence in the government after house leaders had used their influence to keep the question off the agenda.) However, bloc leader Ly Qui Chung is in general a responsible as well as a very able young politician, and he claims that he intends to moderate the politics of the Buddhist deputies. He has told us that he thinks this can be more easily accomplished by including them in a bloc than by isolating them.

As I noted in the General section, the enemy continues to concentrate on the rural areas. He appears to avoid major contact, with the exception of the Khe Sanh battlefield, while seeking to pose a continuing threat against the cities. Much activity is focused on recruiting and propaganda, with the dual aim of making up the Tet losses and capitalizing on the psychological impact of the Tet offensive.

Typical of many reports is the account of an Embassy officer who recently spent several days in the key Delta province of Dinh Tuong. He found that the enemy is harassing and attacking outposts, cutting roads, engaging in forcible recruiting, trying to persuade people to return to VC areas, and actively spreading propaganda about coalition government. In the province capital of My Tho, fear of another attack is subsiding. Recent offensive actions by both GVN and US forces plus the appointment of General Thang as Corps Commander has given morale a lift there. Nevertheless the enemy still moves freely in the countryside at night, and the people have little confidence in the GVN.

In Hue the provincial administration is reportedly still weak, both because of the officials killed and wounded by the Tet attacks and because the recent removal of the province chief has made other officials fearful of losing their jobs.

Chieu Hoi rates remain quite low, with 160 reported this week and 113 last week. Probably one of the reasons for the continued low rate is the intensity of enemy activity in the countryside. Most defectors came in from the rural areas in the past, and in those areas allied forces have not yet gone on the offensive sufficiently to generate a renewed flow of Chieu Hoi.

We now have a better feel of the pacification situation. Reports are in from all province senior advisors, preliminary runs of hamlet evaluation system are available, a new evaluation system to report on 5,000-odd RF/PF units has been instituted, experienced evaluators (many Vietnamese-speaking) have been out to all important provinces, and Bob Komer and his top staff have visited most of them also.

Their major conclusion is that there is not nearly as much damage to pacification as we earlier feared and press is still reporting. Pacification is far from dead. The big problem is not loss of physical assets; roughly 85–90 percent of our RF/PF RD teams, outposts, etc. are still intact. Rather the key problem is one of defensive-mindedness. RVNAF forces and US advisors alike are recovering only gradually from the shock effect of the Tet offensive.
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As a result they are only slowly pushing back into the rural areas which were lost.

We are convinced that in many cases the VC have not yet fully taken over those areas of the countryside where our presence was withdrawn. They themselves withdrew and upgraded many guerrillas for their attack on the cities. A vacuum was thus created when both sides withdrew forces from the countryside. The enemy has since taken heavy post-Tet losses which further limit his capability to fill the rural vacuum quickly. But he is increasingly trying to do so, and is in fact gathering recruits and rice as well. We must get our local forces back out into the hamlets to cope with him, which means overcoming the defensive-mindedness of GVN pacification forces in the field.

Briefly our assessment of pacification shows severe (3–6 months) setback in 19 provinces (11 of them among our 26 priority provinces for 1968), moderate setback (1–2 months) in 17, and little or no setback in four. RF/PF losses (KIA, MIA, or deserted) were 6,583 nationwide—just 2 percent. Out of some 5,200 outposts countrywide, only 477 were lost—377 of these in IV Corps. RD cadre strength is actually greater (29,377) now than before Tet (29,161) as a result of 2,000 cadre graduating from Vung Tau. More than 383 RD teams out of 564 are working in assigned hamlets. In at least 12 provinces, attack against VC infrastructure is going well. For example, in Khanh Hoa, 109 key cadre have been eliminated since the Tet offensive. But the anti-infrastructure drive is unimpressive as yet in 24 provinces, so we are working on these. Police strength in the provinces declined from 39,150 to 35,561 (loss of 3,589 due to relocation to major cities, casualties, and unauthorized absences).

The overall pacification situation looks best in II CTZ and worst in IV CTZ. Komer is focusing on IV CTZ, both because of the poor situation and because of the fact that it is our top 1968 priority. So far, General Thang has been making correct moves in IV CTZ, but hasn’t yet been able to activate the entire GVN structure. Some ARVN battalions have not responded to orders to take the offensive; RF/PF units haven’t gotten the word. Nevertheless the downtrend has been halted, initiative has been taken from the enemy in half the provinces, and friendly morale is much improved.

Reassessment of pacification priorities: because the critical need is to reassert a GVN presence in the countryside as fast as possible, we are seeking quick-fix solutions which can produce high impact in the critical 3–6 months ahead. Slow, painstaking work by RD teams in hamlets as they seek through 98 tasks to accomplish everything from elimination of VC infrastructure to eradication of illiteracy simply cannot be afforded. Komer and I impressed this point on Thieu in our talk Saturday. He indicated general agreement, and yesterday outlined to me in general terms his ideas for simplification and speeding up the process, which coincide generally with ours.

Since then we have outlined our thoughts on how to move much more quickly in pacification as part of an overall counteroffensive. Instead of 59-man teams moving into one hamlet for six months, perhaps 30- to 40-man
half-teams should show the GVN flag by rotating through 6 to 12 hamlets in the same period. Security, psywar, self-defense and anti-VC activities would be stressed. Developmental activities—construction of schools, training village health workers, etc.—could be resumed later.

Since upgrading officials is high on our priority list, we are glad to see signs of improvement already in the eight provinces where Thieu appointed new province chiefs. Ten days ago one advisor remarked that his new chief is quite different—aggressive not defensive; willing to act rather than scared to make decisions; interested in people's welfare instead of wedded to bureaucratic procedures. As I have mentioned, Thieu says he is ready to move on several more poor province chiefs this month. This housecleaning in wake of Tet offensive is a distinct plus.

While we still face massive relief and recovery problems, we think the initial emergency period is over. Essential utilities are functioning. Food is no problem. Danger of epidemics is low. Perhaps one-third to one-half the 60,000 plus evacuees have gone home or have been absorbed by moving in with friends and relatives; the remainder are being cared for adequately (as measured by usual GVN standards). Many roads and waterways are physically open, though poor security is still greatly limiting commercial traffic. Schools are either open or will open by 1 April. Curfews are confined to hours of darkness.

But the longer term recovery job has just begun. Evacuee resettlement is just starting, urban rebuilding hasn't gotten past the planning stage, the economy is practically stagnant, and the psychological climate is improving only slowly. We have set before the GVN and ourselves several high priority tasks: (1) keep roads and waterways open and provide a climate for security which will encourage people to use them; (2) resettle the 30,100,000 families whose homes have been destroyed or severely damaged; and (3) revive the economy fastest.

Route 4 is our biggest single problem. It ties the entire Delta to Saigon. At low cost to themselves, VC are damaging Route 4 faster than we at great cost are able to repair it. US Army Engineers estimate that unless Route 4 is repaired and sealed with asphalt surface by the start of the rainy season one month from now, it will deteriorate to the point where it will be unusable for heavy military and commercial traffic. MACV has made securing and upgrading Route 4 a high military priority. IV Corps is running several major military operations to force large VC units away from the road. Local security along the road is being beefed up, and several new innovations are being tried out. Other key roads are getting similar but less intensive treatment.

Payment of resettlement allowances (piasters, roofing, and cement) started in Hue this week. In II CTZ many provinces have already resettled significant portions of families who lost their homes. Resettlement has gotten underway in III CTZ. But in IV CTZ the combination of greater damage, shortage of supplies, and inactive provincial administrations has resulted in much slower improvement. With the approaching rainy season in III and IV CTZ, much faster progress is essential.
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On the final priority of restoring the economy, we are attacking on a broad front. Opening roads is one essential. Restoring confidence of the business community is another. We are pressing the Central Committee daily for relaxation of controls. We are looking at such proposals as war risk insurance or low interest loans to encourage truck and barge contractors to accept greater risks. Getting rice moving from the Delta to Saigon has our attention. I feel we will know that problems created by the Tet offensive are over when we see that the economy is back to its pre-Tet condition.

General Westmoreland has given me a report of the countrywide assessment of the status of RVNAF as of 29 February which has been compiled by the MACV staff. This is an interesting and valuable updating of RVNAF today. Salient points of the assessment are the following:

Personnel Status:
A. From all reports the Tet offensive had less serious effect on the RVNAF personnel situation than was initially anticipated. Most units report that personnel actions as a result of the Tet offensive have not seriously degraded their operational capability. There are some exceptions as will be noted. There are shortages of officers, NCOs and specialists. This condition existed prior to the Tet attacks and still remains a major problem. Some personnel remain absent from their units; however, a significant number of these are reporting back. Morale and esprit of the regular soldiers, sailors and airmen are good and, in fact, seem to be higher than before the Tet offensive began.
B. Mobilization measures established by the GVN to compensate for losses and to increase the force level show promising results.
C. Due to incomplete reports, it has not been possible to make a complete assessment of the impact the Tet attacks had on the personnel situation in RF and PF units. Reports received indicate that RF and PF units in the IV CTZ sustained heavy losses. Five provinces in the IV CTZ report a severe degradation of capability.

Operational Status:
A. ARVN. The overall performance of ARVN forces during the VC/NVA Tet offensive was very good. Of the 149 ARVN maneuver battalions, advisors cite units encompassing 42 battalions as having performed exceptionally well, while only eight battalions were listed as having performed poorly. The following is a summary of the status of ARVN, highlighting the problem areas:
(1) Since blunting the enemy Tet offensive I Corps has worked toward restoring the combat effectiveness of all units by effecting replacements and refitting those units which sustained losses, with the priority of effort going to the 1st Division and the 1st Ranger group. The training of replacement personnel is being expedited. Replacing company grade officers and key NCOs will require some time. The shortage of vehicular transport, barrier materials and some items of ammunition will continue to have an effect on the overall program. If replacements and equipment materialize as programmed, it is es-
timated that I Corps units will have regained their pre-Tet operations status by 1 April 1968, with the possible exception of the 1st Division.

(2) Within II Corps, only the 11th and 23d Ranger battalions suffered losses during the reporting period which significantly reduced their combat capabilities.

(3) In III Corps, two divisions and the capital military district have battalions that presently are rated less than satisfactory in operational capability. Steps are being taken to elevate their combat effectiveness. In the main, the factor most degrading unit combat effectiveness is present for operations strength. However, adequate replacements are programmed and many absentees who were on Tet leave are returning to their units.

(4) Within IV Corps, the Corps troop units and the 7th Infantry Division are rated combat effective. Though the 9th and 21st Infantry Divisions are also considered satisfactory in the overall assessment, there are some significant weaknesses. Ninth Division units are generally under strength and two of its regiments are considered marginally effective for combat. The 21st Division remains capable for conducting combat operations though not at the strength or level of effectiveness that existed prior to Tet. A period of four to six weeks is estimated to be required before former strength levels can be achieved.

(5) Though still a potent strike force, the Airborne Division combat effectiveness has been degraded significantly as a result of the loss of key officers and non-coms and general combat attrition. The overall present-for-operations strength of the division is inadequate. Approximately 35 percent of the EM in the Airborne battalions are replacements that were assigned during the VC/NVA Tet offensive without training. JGS has assigned the highest priority to rehabilitating the Airborne Division.

B. Regional/Popular Forces.

(1) During the Tet offensive RF/PF unit performance was generally better than expected by most advisors. There were many instances of outstanding action against the enemy as well as several cases of defection on the part of individual RF/PF soldiers or small groups. Although in IV CTZ some watchtowers and outposts were abandoned without significant contact with the enemy, in the majority of contacts throughout the country the RF/PF units stood and fought.

(2) A degradation of RF/PF capability and the support capability of the province was reported in 20 of 44 provinces. The advisor estimate of this degradation is due to casualties, weapons lost and destroyed, facilities destroyed, logistics requirements and a three-to six-month recovery time.

(3) As of 29 February there were 96 RF companies and 388 PF platoons with changes in mission and/or location as a result of the Tet offensive in II, III and IV CTZ. To reestablish these units to pre-Tet location and mission will require, as a minimum, reconnaissance-in-force operations to develop the
local situation. Many larger scale operations will be required by ARVN and RF units before the PF platoons can be relocated in their assigned pacification areas.

(4) The upgrading of RF/PF weapons is recommended by almost all advisors as an urgent requirement. Action is being taken by MACV and JGS to accomplish this at the earliest possible time.

(5) It is estimated that replacement of personnel losses could be accomplished by May in I CTZ, and by August in the remaining three CTZs. Plans call for accomplishing the majority of recruiting and new unit training by 30 June, and for emphasizing refresher training in the last six months of the calendar year.

(6) The availability of supplies, in particular construction and barrier materials, is a limiting factor in the capability of RF/PF units. Associated with this is the limitation on vehicle travel and shortage of air transport in support of RF/PF units.

C. The overall Navy combat effectiveness is considered excellent. The enemy’s attacks stimulated naval units to assume a high degree of readiness. In the face of increased operational commitments, no deleterious effects on fleet readiness were noted. The Navy met and exceeded operational commitments placed on it.

D. The Marine brigade combat capability is considered highly effective. Though significant numbers of casualties were suffered the “personnel pipeline” proved adequate to maintain combat capability.

Training Base Status:

The primary impact of the VC/NVA Tet Offensive on the RVNAF training base was the temporary cessation of training for varying periods of time. On 11 February Central Training Command/Joint General Staff directed that all training activities resume immediately unless prevented by tactical considerations. By 18 March training had all but returned to normal. Due to the increased input of personnel, division training centers are now assigned the mission of conducting ARVN and RF recruit training. Modifications to programs of instruction have been made and programming has been accomplished to insure a continuous flow of trained personnel. Under current conditions, the RVNAF training base can accomplish the training programmed for CY-68.

Logistics Status:

The RVNAF logistics systems generally performed in a creditable manner during the Tet offensive. In the majority of cases equipment and supplies were available when required to support combat operations. Many RVNAF logistical units, particularly in I CTZ, II CTZ and in the Saigon Area, performed in a manner meriting recognition by higher authority. Within IV CTZ emergency resupply to using units has been a severe problem due to the introduction of surface LOC’s, and the lack of sufficient transport aircraft to take up the slack. Shortage of barrier materials, petroleum products and certain types of ammunition were indicated countrywide, however, resupply from
RVNAF base and field depots, and in-country U.S. sources have reduced the impact of these shortages. Expedited supply action on certain critical items has been requested from CONUS to reestablish a satisfactory overall supply posture within RVNAF.

Communications/Electronics Status:

A. ARVN long distance fixed area radio communications were virtually unaffected by the recent Tet offensive. Local cable and wire communications suffered most heavily. Several courses of action which will require material have been initiated to minimize future damage of this nature. Under investigation is the programming of microwave radio relay equipment for alternate route use in interconnecting dial central offices. Underground burial of multipair cable is being considered for installation in populated areas. Communications of immediate interest to tactical commanders, division and lower, suffered overall countrywide losses of less than five percent. These losses are not uniformly distributed through ARVN, but are concentrated in units most heavily engaged. Losses of organic radio equipment have not contributed to the degradation of combat operations.

B. The Vietnamese Navy C-E capability to conduct sustained operations was not impaired by the Tet offensive or the post-Tet attacks.

C. The Vietnamese Air Force C-E Operational capabilities remained intact throughout the Tet offensive. The destruction of the C-E storage facility at Bien Hoa has not affected communications. Sufficient quantities of components are on hand to meet present requirements.

On-going operations:

A. The most tangible indicators of progress are the continuing toll of communist casualties, the reduction of enemy-initiated attacks and the number and size of enemy caches that have been uncovered.

B. The initial requirement, to drive the enemy from the cities, has been fulfilled. The enemy has continued attempts to maintain pressure on urban areas throughout the country, but he has been unable to do so in many areas largely due to the press of friendly operations. In the Saigon area, the enemy is being progressively forced back from the capital perimeter and denser population areas. IV CTZ continues to present a singular situation marked by shelling of urban areas and key facilities, and by scattered small scale attacks.

C. As indicated above, the communist combat units are gone from the cities. The present requirement is to displace the enemy from the populous rural areas around the cities. For this purpose the allied forces have moved increasingly into the countryside since the first of the month. Each area is being handled as an individual case, according to the requirements of the situation. Enemy initiatives have largely been suppressed. While an attack on the scale of the Tet offensive is unlikely, we do not completely discount his remaining capability and possible designs for renewed effort in this vein. Our task now is to ferret out and destroy a dispersed and evading enemy, within the limits of available assets. Steady, heavy attrition continues to deny enemy I CTZ units, the massing capability necessary for major success. Upgrading of Route
9 east of Ca Lu has commenced. Recon and strike operations against Route 547 and A Shau continues. Thinly spread, Allied forces in II CTZ have effectively frustrated enemy efforts throughout that sprawling territory.

D. RVNAF leadership has markedly reasserted itself in the past few weeks; and we now have a truly combined and comprehensive operation in progress in the capital military district and four surrounding provinces. Major elements of three divisions, together with two ARVN divisions, VN Airborne, Marine and Ranger Units, and the National Police are engaged in a fully integrated offensive under a common operation plan in a thorough, methodical and sustained effort to eliminate all enemy positions, havens and organized forces in this extended area. Quyet Thang (Resolve to Win) is an appropriate name for this unprecedented undertaking. General Thang, newly appointed IV CTZ Commander, has similarly initiated an imaginative corps-wide offensive to restore the situation and public confidence by showing the flag and forcing the organized enemy units to stress survival over attack. Keeping the individual sappers off of Route 4 remains a problem. A major portion of the U.S. 9th Infantry Division has been assigned to IV CTZ to support General Thang in that operation.

E. A most significant consequence of our counteroffensive has been the discovery of large and numerous arms caches. The terrain in and around Gia Dinh Province alone has yielded nearly one hundred 122mm rockets, 1900 mortar rounds, and 460 rpg rounds to Allied search operations during the past eleven days. Circumstances of these finds indicate rather clearly that some of the arms have been abandoned by an enemy under pressure from Operation Quyet Thang.

The retail price index fell 2 percent from the level of last week. The main cause was a decline in prices of pork, shrimp, duck eggs and milk. According to market sources, the demand for many protein foods is well below pre-Tet levels, and purchasing patterns have moved, in general, to less expensive protein foods.

The announced changes in the operation of the London Gold Pool have produced little visible response in the Saigon gold or U.S. dollar markets. While the price edged up slightly, there was no indication of any rush into gold. The National Bank of Viet Nam has informed us that they will refrain from selling gold to private holders. Their previous commitment to sell gold at a fixed price has placed an effective lid on the free market gold price which now will move freely. Since the Saigon market is primarily supplied from Hong Kong and Laos which, in turn, buy gold on the London market, we will have to wait until the London market opens on April 1st to see what the world free market prices will be and its effect on the Laotian and Hong Kong markets.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FORTY-FIFTH WEEKLY TELEGRAM, MARCH 28, 1968

On March 21, in a wide-ranging speech, the best and briefest he has made since taking office, Thieu outlined what is being done and what his plans are for mobilization, recovery, administrative reform, civil defense, revolutionary development, the attack on corruption, and austerity. He warned that the people would have to face many ordeals in all areas, asked them to accept greater sacrifices, and ended with a plea for greater efforts, for courage and perseverance.

Mobilization is being pushed. Last Tuesday, Thieu met with Vice President Ky, Minister of Defense General Vy, and Chief of the Joint General Staff General Cao Van Vien to discuss the rate of call-up of draftees, training, and the character and disposition of units. Thirty-eight thousand men in the 19 year age group have received draft cards, 40,000 in the 18 year group will be called up in the next phase. In the last two and one-half months, 48,500 men, nearly half of them volunteers, have joined the armed forces, a number greater than in any similar period. The military training of civil servants and students is being accelerated.

Civil defense training is also proceeding and has made substantial progress though it is not yet well enough coordinated. Thieu has asked Vice President Ky to take charge of the program and to come up with a comprehensive plan for the whole country. It is important that this should be carried out carefully and in an orderly and systematic way to avoid the reappearance of any private armies such as existed in prior years. A good beginning is being made in first arming civil servants. Veterans should provide another good civil defense pool.

In its haste to increase the armed forces by at least 135,000, the GVN has not given enough attention to protecting important civic and pacification activities. I have raised this problem several times with both Thieu and Prime Minister Loc, furnishing the latter a list of 3,000 essential government jobs whose incumbents should not be drafted unless qualified replacement is available. While the situation relative to the central government in Saigon has been handled fairly well, there is danger that the provincial services and the economy may be seriously affected unless preventive measures are promptly taken. For example, refugee mobile teams are being decimated by the draft just at the time when the refugee load is the greatest; the only anaesthetist at the Dalat Hospital has been drafted, effectively cancelling the hospital's surgi-
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cal capability. We are, therefore, working on a longer list covering the provincial organizations. The GVN has not yet provided clear instructions or adequate machinery to insure that essential civilian government and public services continue to function effectively. Since the contest in Viet Nam is not only a contest between military forces, but also between GVN and VC organizations, it is essential that the GVN administrative structure be not weakened. I have suggested to Thieu and Ky that the mobilization directorate be placed either under the Presidency or the Prime Minister’s office so that the interests of all the ministries can be coordinated.

Thieu has also moved on the civilian front:

(a) In addition to the eight new province chiefs, whose appointment I mentioned in last week’s message, Thieu yesterday appointed four more province chiefs in the provinces of Go Cong, Kien Hoa, Vinh Binh, and Phong Dinh, all in the IV Corps area. He has informed me that he expects to replace the province chiefs in Bien Hoa and Gia Dinh in III Corps and to make further appointments when the course for province and district chiefs is completed in April.

(b) Thieu has also submitted to the Assembly draft laws covering establishment of the Inspectorate, the Supreme Court, the Special Court, the Magistrate Council, and a statute for political parties. Yesterday he submitted draft laws covering the organization and operation of the Economic and Social Welfare Council, and the Ethnic Minority Council. The Vice President will preside over these Councils. It is anticipated that these draft laws will be debated and put to a vote in the lower house in early April. This is a welcome development for it will give Ky definite responsibilities which he has hitherto lacked.

(c) To provide increased revenue, Thieu told me last Tuesday that he will send a draft law to the Assembly proposing a surtax for “reconstruction and solidarity” which he anticipated would bring in about 3 billion piasters. On March 30, he plans to issue an executive order increasing taxes on luxury items and imported goods, expected to bring in about 4 billion piasters in additional revenue. As a first step, he plans to raise the tax on petroleum products from 9 to 13 piasters per liter. He estimates that this will bring in an additional 2 billion piasters. In one or two months, he plans to increase the tax to 17 piasters. Since petroleum products are so widely used in the economy and affect all principal means of transportation, Thieu has decided on a two-step increase in order to avoid too sudden and drastic an impact. In connection with these tax measures, Thieu made a special plea to me to have our authorities work closely with his to prevent supplies from American sources getting into illegal channels of trade. He made the point that obviously non-taxable gasoline and PX supplies would become more attractive.

(d) Information was raised to ministerial level and Tran Van An appointed Minister of Information on March 22. Thieu hopes that An will develop a more effective and imaginative program both at home and abroad. This is badly needed, for Information [Ministry] has been one of the weakest ele-
ments in the GVN structure. An has talked to us about establishing a joint US/GVN working committee and we shall follow up with him on this. He wants to have a closer working relationship with all the ministries and to work out some joint arrangement with the ARVN Political Warfare section. He also hopes to develop a more realistic “political warfare” campaign against the enemy with more adroit use of TV and radio. We shall lend all the assistance we can for, in my opinion, GVN psychological warfare has been a good deal less effective than the enemy’s.

(e) Thieu has made progress toward the establishment of his Council of Political and Spiritual Advisers. He informed me that so far eighteen individuals had agreed to serve, that he wants to talk to three or four others before making an announcement which he hoped might be this week. Among those who have agreed to serve are Phan Quang Dan and Ha Thuc Ky; he also hopes to have satisfactory Buddhist representation among them. Tran Van Huong has agreed to serve privately as an adviser, but does not wish to be officially listed as such. All had agreed that it would be best not to meet formally in a large group since frank and constructive discussions could better be had in meetings with small selected groups, or individually.

(f) Announcement has been made that an Administrative Reform Council will be set up in the President’s office “under the direct control of the President, and will be responsible for studying and deciding on administrative reforms.” It will have a committee on civil service reform which can be used as a vehicle forreviving the proposed Civil Service General Statute which was drafted in October 1967, by an ad hoc GVN committee, and which has never been implemented. A National Planning Council will also be set up “under the direct control of the President, and will be responsible for studying and drawing up all national plans as well as the supervision and execution of these plans.”

(g) Work is also underway on the establishment of a Production Rehabilitation Fund and a War Risk Insurance plan, both mentioned by the President in his March 21 speech.

(h) On corruption, Thieu said “I have considered it to be a shame for the whole nation” and emphasized his determination to wipe it out. He observed, “I will not pass up any infraction, and in order to start in the right direction, I shall not treat with indulgence any clearly established cases of corruption, especially the abuses committed in the relief program.” He promised to strictly carry out punishments handed down by the courts, including the death penalty recently announced in three cases.

(i) According to the President’s brother, Nguyen Van Kieu, Tran Van Huong has been persuaded to serve as head of the Inspectorate. Past claims to this effect have not materialized, but if true, this would be a most favorable development, as Huong has a wide reputation for honesty and dedication to clean government. Thus Huong could add some needed credibility to the government’s anti-corruption campaign. His presence should go a long way to instill confidence that this time the government really means business.
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(Huong recently told an Embassy officer that the only way to handle those who divert relief funds and supplies is to “shoot, shoot, shoot.” He seemed to mean it.)

U.S. and GVN forces increasingly took the initiative last week while the level of enemy activity declined, although there were a number of sizeable actions. During the last two days of last week, Khe Sanh was subjected to very heavy rocketing, but this has since slacked off. It seems probable that our very heavy bombing has inflicted heavy casualties; 1,200 of the enemy are known killed and this may be a relatively small proportion of the total. General Westmoreland believes it is conceivable the enemy may have given up the idea of attacking Khe Sanh and may be withdrawing part of his forces to Cambodia and intending to redeploy in the Central Highlands. In the southern three provinces of I Corps, the enemy seems to be disorganized. In II Corps, he has maintained a threatening attitude around the cities of Kontum, Pleiku, and Banmethuot, but activities have largely been confined to harassment through mortaring and rocketing. In III Corps, the joint US/ARVN operation, Quyet Thang (Resolve to Win), is progressing well, with sweeps being carried out during the day and ambushes at night. Heavy losses have been inflicted on the enemy. The enemy continues to hang around Saigon in Gia Dinh, Hau Nghia, and Bien Hoa provinces. In IV Corps, offensive operations have been accelerated, activity last week being the highest on record. The enemy has pulled back from around My Tho and Can Tho and seems to be trying to avoid contact. On the other hand, he has been actively attempting to disrupt traffic. Highway 4 is interdicted almost every night, but is back in operation during the day time.

The enemy apparently is infiltrating from the north at a very high rate. With only four to six weeks of good weather remaining in the Laos panhandle, he is trying feverishly to replenish stocks. He is relying heavily on trucks, building cleverly concealed motorable roads in remote areas from Cambodia into Tay Ninh and Phuoc Long provinces and from the tri-border area into Kontum Province.

The determination of the Vietnamese armed forces to engage the enemy and to expel him from positions from which he can threaten military installations and population centers has become increasingly evident throughout the month of March.

In I Corps, since the Battle of Hue, in which 4,578 enemy were killed (2,623 by ARVN), there have been three significant ARVN engagements.

(a) In Quang Tri Province, the 1st ARVN Regiment operation resulted in 208 enemy KIA, 18 detainees, 49 individuals and 16 crew-served weapons captured. ARVN losses were 8 KIA and 35 WIA.

(b) In Quang Tri Province, in a second ARVN Regiment operation 155 of the enemy were KIA, 19 individual and 6 crew-served weapons captured. ARVN losses were 14 KIA, 63 WIA, and one MIA.

(c) In Quang Tri Province, in another ARVN Regiment operation, the enemy losses were 407 KIA, 18 detainees, 74 individual and 24 crew-served
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weapons captured. ARVN losses were 45 KIA and 185 WIA.

In II Corps, ARVN had three significant contacts:

(a) In Darlac Province, in an operation by the 45th ARVN Regiment, 160 enemy were killed, 52 individual and one crew-served weapon captured. ARVN sustained 16 KIA and 16 WIA.

(b) In Binh Dinh Province in two engagements in which the Regional and Popular Forces participated, the enemy lost 298 KIA, 24 individual and 16 crew-served weapons, yet the RF/PF losses were one KIA and 8 WIA.

In III Corps, the combined campaign, Quyet Thang (Resolve to Win), began on 11 March with elements of the U.S. 1st, 9th, and 25th Infantry Divisions in coordination with the 5th and 25th ARVN Divisions and Vietnamese airborne, Marines, and Ranger Task Forces. The operation, designed to clear the Capital Military District and surrounding areas, is progressing with significant results. As examples:

(a) In Hau Nghia Province, a combined reconnaissance in force by elements of the 49th ARVN Regiment and 11th U.S. Armored Cavalry, against an estimated enemy battalion, resulted in 142 enemy KIA, 6 individual and 2 crew-served weapons captured. Friendly losses were 8 KIA (one U.S.) and 21 WIA (five U.S.).

(b) In Hau Nghia Province, in the early hours of 25 March, a combined force of the 34th ARVN Ranger Battalion and elements of the 4th Battalion, 23rd Infantry (U.S.) engaged in estimated 300 enemy while reinforcing a Popular Forces outpost under attack. U.S. tanks, artillery, gunships and tactical air also participated. Enemy losses now stand at 243 KIA, 24 individual and 16 crew-served weapons captured. Friendly losses are 32 KIA (10 U.S.), 103 WIA (71 U.S.), two MIA (ARVN), and three trucks destroyed.

(c) Cumulative casualties through midnight 25 March are: Enemy (by ARVN)—845 KIA, 44 detainees, two returnees, 225 individual and 47 crew-served weapons captured; by U.S.—879 KIA, 236 detainees, 268 individual and 68 crew-served weapons captured. Friendly (ARVN)—89 KIA, 231 WIA; U.S.—63 KIA, 538 WIA (407 evacuated).

In IV Corps:

(a) Operation Truong Cong Dinh campaign commenced on 7 March with the 1st and 2nd Brigades, 9th U.S. Infantry Division and ARVN 7th, 9th and 21st Divisions. ARVN forces energized by the new Corps Commander, General Thang, have achieved excellent results. Campaign cumulative casualties through midnight 25 March are: Enemy (by ARVN) 502 KIA, 377 detainees, 157 individual weapons and by 16 crew-served weapons captured; by U.S.—198 KIA, 140 detainees, 23 individual and five crew-served weapons captured.

(b) Another significant engagement occurred in IV Corps in An Xuyen Province at Ca Mau on the morning of the 5 March when an estimated reinforced enemy battalion attacked the city and airfield. Popular Forces and 32nd ARVN Regiment troops attacked with artillery, gunships, and tactical air support. After an eight-hour engagement, the enemy was driven from the
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battle area leaving 283 dead, 49 individual and 21 crew-served weapons and two radios captured. Friendly losses were 11 KIA and 47 WIA (2 U.S.)

Political Organizations: Organizing activity continued this week for two major new political groups, Tran Van Don’s Peoples Front for National Salvation and Nguyen Van Huong’s Free Democratic Force. Don held a press conference March 22 to announce the composition of the Front’s High Steering Committee and report on his organizing trips to the provinces. Huong’s Force was publicly launched March 27 with a two-day national congress for delegates from all over the country. (It is not clear whether Tran Van An is still going ahead with his plans for another Front organization now that he has been named as Minister of Information.)

While Don has suffered no public defections, it is becoming increasingly clear that some of the national political figures who originally took part in his Front are now cooling off on it. The question of the continued participation of men such as Tran Van Huong, Phan Khac Suu, and Ha Thuc Ky was avoided at the March 22 press conference by announcing that all members of the Front’s temporary advisory board will now be members of the High Steering Committee. While Huong, for example, has not objected to this continued use of his name, he has appeared only at the first public meeting and he has subsequently let it be known privately that he does not believe the Front is a useful device.

Don, meanwhile, has been making a number of trips to the provinces to set up provincial branches of his organization. It is not yet clear how much success he is having in this effort, though he himself admits that ideally he should have begun with this activity and then proceeded to the kind of national congress which he held on March 10.

There is a continuing impression that Don’s organization is basically pro-Ky and Thieu himself seems still to take a rather dim view of the Don Front. He recently told a Mission officer that Don’s Front has no value for use as an instrument to develop and organize public action and Don’s concept is not practical for Viet Nam at this time. Thieu said that the Don Front will attract no one of substance outside of Don’s entourage and his political allies.

Huong’s Force at its inception appears to be notably lacking in leaders of national stature. His temporary executive committee, unveiled at the March 27 meeting, includes several Senators and Deputies, but none of these have been prominent in the Assembly. Huong himself is staying completely in the background, with a relatively unknown [name deleted] serving as the Chairman of the Force Executive Committee. The Force inaugural was attended by delegations from 36 provinces, however, and Embassy officers observed that these delegations included a sprinkling of provincial councilors and village chiefs. It may be that, despite the lack of national figures among the leaders of the Force, Huong has in fact prepared the ground for a national organization with some real support at the rice roots level.

An important difference between the Don Front and the Huong Force is the fact that the Force accepts members only as individuals. Don’s Front, on
the other hand, aims at attracting already organized groups to band together in pursuit of common goals. For the immediate problem of mobilizing the nation against the present Communist threat, Don's approach has clear advantages. However, over the long haul the Huong method probably offers a better hope of constructing a close-knit and disciplined political organization.

Huong's concept is a party of cadre, organized in cells, and directed from the top. He has clearly been much influenced by the example of the Lao Dong and Can Lao parties, and the Force can be expected to bear a strong resemblance to those organizations if it is successful. Hopefully there will be one vital difference however—the Force is being organized with the avowed purpose of seeking power through free elections, and its bylaws pledge adherence to the Constitution.

The Don Front and the Huong Force are not necessarily incompatible, though most Vietnamese politicians persist in seeing them as rivals. Tran Van Don in fact attended the public inauguration of the Force as a guest. He told an Embassy officer there that he hopes all parties, including the [Huong] Force, can be induced to band together for certain purposes under the banner of his Front. This is very close to the idea of Thieu's brother, Nguyen Van Kieu. Kieu told Calhoun on March 27 that he has been consulting with Don, Huong, and Tran Van An about arrangements for linking their organizations together, and he claimed that all had agreed to work out such an understanding. We will be working to influence some such development so as to maximize the unifying influence of these political groups in the face of the enemy.

Thieu-Ky Relations: Bui Diem has been talking, by his own account very frankly indeed, with both Thieu and Ky on the absolute necessity for them to close ranks publicly and work together for the good of the nation. I hope that his efforts will reinforce my own frequent attempts to impress this idea on both Thieu and Ky. According to Bui Diem, Ky reiterated his feelings of loyalty and personal obligation to you and his pledge that he will do nothing to upset the present situation. He also reportedly told Bui Diem that he is willing to get rid of some of the more troublesome members of his staff, including Dang Duc Khoi and [name deleted] if Thieu wishes him to do so.

In recent conversations Ky has seemed to focus on the need for Thieu to publicly designate some area for him to work on. Thieu has told me and he has told Ky that he wants Ky to manage the civil defense program, and Ky has said he is willing to accept this responsibility. However, he also feels he must have a public mandate from Thieu. I agree that he should and I intend to take this up with Thieu as soon as possible.

Thieu's sending of draft legislation to the Assembly for the establishment of the three advisory councils should also help to alleviate the problem. As Vice President, Ky is supposed to chair these councils, and their establishment should help to occupy him in something besides ill-advised comments to reporters.

Some of the recent friction between Thieu and Ky has no doubt been generated by persistent reports that Ky's supporters were pushing for a constitu-
tional amendment which would allow Ky to become Prime Minister. General Loan seems to have been behind this particular maneuver, and perhaps as a result of some rather frank talk between Komer and Ky about Loan, Loan has been sent to I Corps to “cool off” for a time. As Loan was also the prime mover behind the effort to have the Assembly declare war on North Vietnam, I hope that his absence will also tend to dampen that particular project.

Assembly Developments: The upper house has been circulating a petition to interpellate the Prime Minister, Defense Minister Vy, and Interior Minister Vien on the government’s performance during and since the Tet attacks. The petition already has the required number of signatures, and it is reasonably certain that the ministers will be “invited” to appear following passage of the budget.

According to some of the more moderate Senators, the Ministers can expect some very vigorous questioning. According to Senator Dang Van Sung, the impetus behind the interpellation effort is the “general feeling” that the government must make some fairly extensive changes in the cabinet to restore public confidence. While some Senators no doubt sincerely believe this, others are probably motivated by more personal considerations. We will do what we can to moderate this development.

The upper house is now nearing the end of its consideration of the budget. It has taken a much more careful look at the government’s plans than did the lower house, and has made a number of economies. The senators reportedly have been told by the Minister of Finance that there will be a supplemental budget request from the government within about three months. The Senate therefore is taking a very hard look at budget items such as new automobiles or new personnel, while at the same time taking the position that they will approve any funds really needed for essential operations. Thus, they have cut the budgets of the ministries of Health, Social Welfare, and Education, but expect to vote more money for all three ministries when they get the supplemental request to meet the extraordinary demands put on those Ministries by the Tet attacks.

Among other cuts were reductions in the funds allotted for the offices of the Government Delegates, the Senate taking the position that these offices are not provided for in the Constitution, and they only add to “administrative frictions.” The Senate also took an action which some senators have interpreted as a slap at Vice President Ky. Noting that the Vice President has no power to sign decrees under the Constitution, they questioned his right to establish a separate office by decree. They then voted to put the funds for the Vice Presidency under the same chapter of the budget as the funds for the office of the Presidency.

Because of the numerous Senate changes in the lower house version of the budget, the bill will have to go back to the lower house following passage by the Senate. Compromising the House and Senate versions could take some time, but we are told by most sources that final passage will take place during the first week in April.
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The pacification program is continuing to revive slowly, although the GVN is not yet moving fast enough to win the race for the countryside. As I reported last week, the key problem is less one of loss of assets—the great bulk of them are again in hand—than defensive attitudes which inhibit aggressive movement back into those hamlets now lost or contested.

These losses have been considerable, but less than initially feared. For example, our Hamlet Evaluation System figures for end-February show a 7 percent decline in relatively secure population (ABC hamlets plus the towns) from the end-January estimate of 67 percent. About 800 hamlets and 1.3 million people dropped from the “secure” category. But it is important to note that most of these dropped into the “contested” category. Only 200 hamlets and 280,000 people are estimated to have reverted to VC control. Moreover, we believe that these losses as of end-February are being slowly recouped during March.

Meanwhile, President Thieu has been giving more guidance to the program. He has moved to reassert central government authority over province chiefs by cutting Corps Commanders out of all save the military chain of command. His appointment of first eight and now four more province chiefs manifests Thieu’s desire to have more controlling influence. He also plans to shift the RD Cadre Directorate from under JGS back to the RD Ministry, which may cause disruption and delay just at the time when quick action is essential. Komer has urged Thieu to delay this change until later in the year when pacification is back on the track.

Ky is also active, visiting each Corps to manifest his approval of the modified 1968 RD plans and carry the word that pacification is still a high priority program being given personal attention by top government leaders.

Out of 595 RD teams 464 (77 percent) are now back in the hamlets. Local security forces have had to go with them, which helps achieve GVN and US aim of re-establishing a presence.

The brightest news on the recovery front is continued dropoff in Tet evacuees, indicating that people are gaining confidence in security and that resettlement machinery is beginning to function. Between 13 and 25 March total Tet refugees declined from 486,000 to 392,000 and are still declining. In Saigon/Gia Dinh, refugees dropped from 122,000 to 99,000 during the same period.

We continue to stress in top GVN circles that recovery is much bigger than just repairing damages and helping evacuees. The key is economic revival, which in turn depends critically on restoring roads and waterways to the point where people are confident that they can travel as safely as before Tet. Key roads are re-opening, but traffic on them is only slowly reviving because the psychological impact of the Tet offensive hasn’t worn off and the VC are practicing calculated harassment. In III Corps, even though major highways are open, commercial traffic is below 50 percent of pre-Tet levels. On vital Route 4 in the Delta, traffic flow is now roughly 50 percent of pre-Tet level. On the two most important canals in the Delta, the Mang Thit and the Cho
Gao, boat traffic is about 20 percent and 30 percent respectively of pre-Tet volume.

As a result, the flow of rice from the Delta to Saigon is way down. Because there isn’t enough storage space in the countryside, Delta rice must be moved to covered storage in Saigon before the rains start next month. Traffic out of Saigon is way down too, causing critical shortages of POL in many Delta provinces, slowing distribution of relief materials, and forcing prices of commodities normally obtained from Saigon to rise to as much as 100 percent above pre-Tet figures. We are doing our best to restore security and confidence.

The money supply declined slightly in the week ended March 9 following two weeks of fairly rapid advance. The public sector deficit continued to rise strongly, but a $12 million decline in foreign exchange holdings was more than sufficient to offset this factor. Prices fell by about one percent in the week ended March 25 leaving the USAID Retail Index only 6½ percent above January 2 and about one percent below January 27, date of the last pre-Tet calculation. As before, the stability in prices can be attributed to the extreme sluggishness in general business conditions.

While communications between the Delta and Saigon have improved somewhat (one barge convoy has made a round trip), the rice trade remains stagnant, and paddy prices in the countryside continue to soften. The Government does seem to have accepted the idea of providing additional credit, coupled with a commitment to purchase rice at a stated price. Discussions are now going on between the Ministry of Economy and the trade regarding the amounts available and the price to be set. There is reason to hope that positive GVN action along these lines will stimulate commerce in the Delta in general.

The Saigon port congestion problem should be solved by the end of the month. 9,500 tons are now being discharged daily, and the number of contractors clearing the port has increased.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FORTY-SIXTH WEEKLY TELEGRAM, APRIL 4, 1968  By far the chief event of the week was your speech announcing the bombing pause and your decision not to seek the nomination. Although the effect here of your statements and decisions are [sic] not yet entirely clear, we can make some preliminary judgments at this time.

As I have reported, I immediately sought an interview with Thieu. I found that he had already underlined the salient points in the speech. He wanted, of course, my views regarding your announcement with respect to your candidacy and the significance to be attached to it. I replied that I could only give him my personal views: that I felt that by taking this step you had gained a free hand to pursue the new policies which you had announced, but which represented no departure from your stand on Viet-Nam; that it would cut the ground from under the critics of your Viet-nam policy; that it had lifted Viet-Nam out of the area of domestic politics, and that you are asking the country, including the opposition, to face up squarely to what must be done.

Thieu said that inevitably there would be much speculation and many interpretations among the Vietnamese, questioning as to whether this represented a change in U.S. policy, as well as speculation on the effect on the U.S. domestic political situation. He went on to say that he felt that the speech was unexceptional, flexible, and very carefully constructed, and that it would give him no difficulties. He remarked with a smile that “in this speech President Johnson was more Asian than we Asians.”

He thought that Hanoi would deal with the statement on two planes. Officially they would say it was not responsive to their demand for a compete cessation of bombing. Privately Hanoi would circulate rumors that the speech showed President Johnson recognizes his policy failed and has now abandoned it. When I saw Thieu later, he remarked that he thought the fact that Hanoi had not commented on your statement indicated that they had been taken by surprise.

The general reaction to your speech was at first confused and fearful, but as the text became widely available and was studied carefully, reactions were generally favorable. While there remains some fear, particularly with the man on the street, that the decision to sharply reduce the bombing may be a sign of American waver ing in the face of the enemy, most opinion makers here now see it as a necessary gesture toward American and world opinion.
The reaction to your statement about the nomination was also characterized by shock and dismay at the outset. Many feared that this announcement meant that Viet Nam had in effect lost its greatest and most powerful ally. I have the impression now, however, that more and more Vietnamese are viewing your decision in the terms which your yourself used to explain it—a move to unite the American people and to get the Viet-Nam war out of partisan politics. A number of Vietnamese, including Ky, have expressed the idea that this decision is in Asian eyes an act of “supreme virtue,” a selfless (and rather Confucian) placing of the needs of the nation and the free world first, and many, probably most, cherish the hope that the American people will somehow compel you to change your mind about seeking another term as President.

Perhaps second in importance to your speech was the very excellent press conference which Thieu held yesterday jointly with Ky. In it, he gave voice to the increased Vietnamese determination to stand against the enemy, regardless of the outcome, and the willingness to shoulder the burdens of the war. This attitude has become increasingly apparent since the Tet offensive. Thieu said, “I have said many times that if the Allies cannot continue their assistance, we will fight on alone.” He went on to say that South Viet Nam will increase its efforts if Hanoi does not respond favorably to our latest offer, and within a “few weeks” will implement general mobilization. He also said that “with the increase in our own troop strength, with the plan for general mobilization, if the U.S. Government deems it necessary, a partial withdrawal of U.S. troops could begin late in 1968.”

He spiked reports that we had not consulted with the GVN before deciding on the bombing pause; he noted very effectively the fact that in your speech, you gave renewed voice to American determination to accept nothing less than a free and independent South Viet-Nam, and he demonstrated his own determination to unite with all nationalists (particularly Ky and Ky’s followers) and to mobilize the full resources of the nation.

Thieu also spoke out frankly about his relationship with Vice President Ky. While not denying that there have been differences, he made it clear that he and Ky are united on the important issues before the nation and that they are determined to work together. He specifically gave Ky a public mandate to undertake the organization of civil defense, something which Ky felt he needed and wanted. Thieu also expressed the hope that the draft legislation sent to the National Assembly for the organization of the Advisory Councils, chaired by the Vice President, would be enacted promptly.

I think Thieu’s press conference was extraordinarily successful. He was confident, sincere, and convincing in his answers to all of the questions. It seemed to me further evidence that Thieu has been growing in stature and that increasingly he has been exhibiting a degree of forcefulness and leadership much to be desired.

As a further commentary on the Thieu-Ky relationship and Thieu’s stature in general, [name deleted] made an interesting assessment. [Eight words ex-
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cised] he is an Asian from a country which has many things in common with Viet-Nam, including a basic Chinese culture, a corruption problem, new democratic institutions, and a constant Communist threat. He told me and Ambassador Berger that he does not share the rather general Western view of Thieu as a man of indecision. He feels that in Asian eyes, there is greater confidence and respect for leaders who are reflective and deliberate than for those who are impulsive and move swiftly. Thus Thieu is really likely to be more effective with the Vietnamese than Ky. He also believes that Thieu and the GVN generally have been given new confidence by their demonstrated ability to meet and survive such an all-out attack as the Tet offensive. He felt that Thieu still needs increased confidence, but that he is doing better all the time.

The spirit of determination which Thieu exhibited in his press conference, and which has also been apparent in his recent speeches, has also become evident in other aspects of Vietnamese life. I have reported on the general spirit of unity in the face of the enemy that characterized the Vietnamese body politic, perhaps for the first time in this long struggle after the Tet attacks. As the attacks on our Viet Nam policy mounted in the United States following the Tet offensive, we saw here a greatly increased willingness to shoulder the war's burdens. Voluntary enlistments shot up dramatically. There seemed to be a general desire among the population for arms and training so that they could defend themselves in the event of future attacks on the cities. Voluntary contributions to relief and reconstruction efforts were, by Vietnamese standards, very large. In political circles, the response to Tran Van Don's effort to form a single, big anti-Communist Front has been surprisingly good. As I reported on Sunday, Thieu got a great ovation from students undergoing military training; students have been almost traditionally against the government, but the reception given Thieu was to my mind symbolic of the changed public atmosphere here. Now we hear Vietnamese saying even if America withdraws, they will fight on to the bitter end. They are talking openly and approvingly of general mobilization.

During the past week, Thieu has made further constructive moves:

(a) He has appointed two new Province Chiefs in the important provinces of [five words excised] bringing the total post-Tet purge so far to 14. Both [incumbents; names deleted] were two of the most inept, allegedly corrupt province officials on our list. In the case of [name deleted], his poor performance in pacification and unwillingness to accept advice had already led Bob Komer to withdraw U.S. commodity support to [place name deleted] pacification program and put off limits to U.S. troops. Both measures were aimed at cutting into [name deleted] rackets, which were netting him and his cronies considerable money each month. The fourteen newly appointed Province Chiefs generally appear to be improvements over their predecessors. Apparently, Thieu has picked the men from among officers whom he had personally observed to have turned in superior performances over the past several years. As a result, the new chiefs are less beholden to Division and Corps Commanders, and,
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from preliminary reports, seem determined to turn in a good performance. We have had reports that General Vien and some of the other Generals are unhappy with their loss of power.

Thieu expects to make further changes at the conclusion of the course for province and district chiefs. There are still some weak Province Chiefs whom he has indicated that he plans to remove as soon as he has better men available to take their places. He plans to hold a meeting on April 15 of corps commanders and province chiefs at which the new regulation defining relationships between corps commanders, province chiefs, and the new civilian delegates, and their respective duties and responsibilities will be explained.

(b) He has forwarded to the Assembly legislation on press regulations and a draft law for a "reconstruction and solidarity" tax, estimated to bring in 3 billion piasters. By decree issued March 30, he also increased the surtax on luxury imports, through which he hopes to bring in revenue of about 4 billion piasters. By decree issued March 30 he also increased the surtax in luxury imports, through which he hopes to bring in revenue of about 4 billion piasters. These bills bring to ten (not including the budget) the number of major bills sent to the Assembly by the Government since the Tet attacks. It seems to me this is a commendable record, considering the youth of the government and the difficulties it faces.

(c) Thieu also sent a very good message to the opening meeting of the Assembly's regular session on April 1. He noted that democracy is working in Viet Nam despite the heavy strains and burdens imposed on the government; he repeated his decision to increase the Armed Forces by 135,000 and added that further increases might be necessary; with regard to relief and reconstruction, he reported that the Tet refugees are now down from 700,000 to 380,000; 309 million piasters have been allotted to the provinces for the refugees; and reconstruction is going forward, with new homes underway in Saigon, for example, for 7,000 families. He reported also on the military situation, reiterated the GVN position on peace, noted his recent administrative reforms, and asked the Assembly to move promptly on legislation recently sent to it, particularly the bills on political parties and press regulations.

The Senate has completed work on the budget. While making numerous small cuts, it did not seriously amend the administration's draft bill in any important particular, nor did it change the overall figure voted by the Lower House. The bill now goes back to the Lower House and final passage is expected next week.

I reported last week that the Senate was likely to try to interpellate the Prime Minister, the Minister of Defense, and the Minister of Interior. These Ministers have in fact now been "invited" to appear "as soon as possible" to discuss the Government's performance during and since Tet. Until now, the Government has not answered the Assembly request, however, and it is not clear whether the Ministers concerned will or will not appear before the Senate. (The Constitution leaves the question of whether they must appear open, and most Vietnamese seem to think Government ministers can refuse to be interpellated.)
The administration bill on political parties now before the Assembly provides for legal recognition of parties which achieve demonstrated minimum levels of public support. Like another draft prepared by [name deleted], the bill also reflects the Vietnamese tendency to think in terms of cadre-based organizations. The criteria of party strength is not votes garnered at the polls, but the number of formally affiliated activists. This approach is in line with Vietnamese experience and political thinking, but we believe it will not help the development of broadly based national parties, at least not as rapidly as we would hope.

In line with previous announcements, President Thieu on March 30 signed decrees setting up the Administrative Reform Council and the National Planning Council, both of which he will chair himself. The Presidential Council of Advisors has not yet been announced, but we understand from various sources that several additional leaders have consented to serve on it. These include Phan Quang Dan, Ha Thuc Ky, Mai Tho Truyen (prominent southern lay Buddhist leader and Tran Van Huong's running mate in the Presidential election). Pham Huu Chong (civilian member of the "Directorate," Minister of Health under Diem, and a man reportedly close to militant Buddhist leaders), Tran Dinh Nam (elder central Viet Nam VNQDD leader who served as a civilian member of the "Directorate"), and Ho Tri Chau (Chairman of the Saigon Bar Association).

In his report to the Assembly on April 1, Thieu noted that 83,503 civil servants, students, and other civilians have been organized into 585 self-defense units. According to Thieu, the government has furnished these units with over 9,000 weapons.

We do not have full information on the formation of these groups, and it appears that in some cases local authorities are going ahead with their own plans for civil defense without much reference to central direction. (Vice President Ky will no doubt bring a greater element of organization and central control into these efforts now that he is formally charged with responsibility for this program.) In general, however, the authorities are moving ahead cautiously, arming and training civil servants first, relying heavily on veterans, and emphasizing control and proper organization.

In IV Corps, for example, General Thang reportedly approved proposals to provide 100 weapons per province for self-defense groups and also to arm one in every three government officials. However, he rejected a proposal to arm "religious youth" (the Hoa Hao would probably like very much to again form their private army under the guise of civil defense). Similarly, in III Corps, the authorities have armed mostly civil servants. In I Corps, our people report considerable enthusiasm for the program. While most of the arms there have gone to civil servants, other groups, including Catholics, have also received a few weapons. In Quang Tri, most threatened province in many ways, the program reportedly has stimulated cooperation between parties which have in the past been bitter rivals.
In Saigon about 140 civilian defense groups are in some stage of organization or training. About 2,000 weapons have been issued, mostly to civil servants, but also including at least one Catholic group. While the majority of the 140 Saigon groups are said to be concentrated in the central parts of the city, the mayor said that he is also trying to set up a ring of self-defense units along the outer edges of the city.

Embassy officers who travel in I Corps report that the population there is still preoccupied by fear of further enemy attack, particularly in the northernmost provinces of Quang Tri and Thua Thien. The feeling of outrage that tended to polarize public opinion against the VC seems to have ebbed, but uneasiness about the future remains widespread. This ebbing of anti-communist anger coupled with continued fear of more attacks probably accounts for a decline of enthusiasm among the organizers of the local Danang anti-communist Front. (The Front remains in business, however, and we are trying to stimulate it and similar groups in the provinces.)

In Hue relief and reconstruction work is going forward, but morale there also remains low because the population is convinced that they face a new attack in the near future. Helping to overcome these negative attitudes are groups such as the [three words excised] and a large contingent of Saigon students working under the direction of Thieu's personal representative, Father Cao Van Luan. It is becoming clear, however, that it will take time to restore confidence as well as the destroyed homes and temples of Hue. We are considering how we might help in getting Hue University in operation again.

The Viet Cong in I Corps, meanwhile, have reportedly been very active in the past months in kidnapping and terror activities. Assassination of village and hamlet officials has been significantly increased, and recruiting efforts continue at a high level.

The attitude of the I Corps militant Buddhists and their political future remain unclear. While there are reports of plans to arrest those who have long been regarded as VC or VC sympathizers by the authorities, no arrests have taken place. Thich Don Hau, the monk who was reported by the Viet Cong radio to have called on the people to support the communists, is evidently still in Viet Cong hands despite many reports that he was freed. The arrest of Tri Quang and some of his followers in Saigon has caused very little stir among I Corps Buddhists, possibly because they fear arrest themselves if they try to demonstrate against the government.

The level of military activity was down this week, with the enemy apparently still engaged mainly in reforming his units, recruiting and infiltrating men to make up the Tet losses, and making strong efforts to consolidate his hold on the countryside. At the same time enemy forces continued their efforts to interdict highways in order to choke off the flow of supplies in and out of the cities. They also continued to remind the population of their presence by mortaring province and district towns.

With good weather for a number of days over Khe Sanh and the reduction of enemy forces in that area, the immediate threat to that particular position
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has eased. In both I Corps and II Corps, there were reports that indicated the enemy perhaps intended to launch a general offensive about March 31. However, the offensive did not materialize—probably pre-empted by friendly operations. There are indications that the enemy may now be focusing his offensive intentions on the highlands.

In I Corps, the Hoi An–Danang area appeared to be threatened during this reporting period, with reports of heavy infiltration of enemy personnel and supplies into the surrounding countryside. Enemy efforts to build base areas in the mountainous regions continued and a high level of terror and assassination was maintained. The lengths to which the enemy is going in recruiting were indicated when after one recent I Corps engagement it was estimated that the average age of the seven enemy KIA was 15 years. (Similarly, in II Corps, the enemy is reported to be employing children for intelligence gathering because Government security forces do not prevent them from entering and leaving the cities.)

In III Corps, mining, interdiction of lines of communication, and attacks on outposts continued. Assassinations of hamlet officials are reported, and numerous low level reports indicate that the VC in some provinces are still promising new recruits an early victory. IV Corps reports that despite the more vigorous military efforts stimulated by General Thang, the enemy apparently still has the initiative in the countryside and continues to gather his forces for future attacks. One report states that the new automatic weapons issued to guerrilla forces prior to the Tet attacks are being withdrawn from enemy forces in contested areas, perhaps in an effort to hoard the better weapons in anticipation of later massive efforts.

The level of infiltration apparently continues to be high. Since December, it is estimated to be of the magnitude of 10,000 per month.

We have been particularly concerned about pacification in the IV Corps Delta area, where we lost the most ground in countryside from the Tet offensive. However, General Thang’s efforts to get back on the offensive are beginning to pay off. RD cadre teams and supporting security elements have mostly moved back to their assigned areas, though in some cases we are reconsolidating hamlets affected by the Tet offensive rather than moving on to new hamlets. Plans have been amended to place main attention along major roads and waterways for the purpose of enhancing their security.

Better security has brought nearer to normal traffic on the roads in the northern Delta. An average of 600 vehicles per day traveled the stretch to Route 4 between Saigon and the My Thuan ferry last week. Pre-Tet traffic seldom exceeded 750 vehicles a day. Lower in the Delta and on the waterways traffic is still trickling over routes which, while physically open for traffic, are not yet secure in the judgment of truck owners, rice merchants or the local populace.

Thus change for the better is now appearing in the Delta too. Friendly activity is increasing; enemy activity is decreasing. Recovery operations are moving ahead toward a target of getting the homeless resettled before the rainy season starts 30 days from now.
The economy continues to show stagnation, both here in Saigon and in the Delta.

Saigon retail prices fell once again in the week ending April 1. They are now less than five percent above the January 2 level. Rice is at the January 2 level; pork is slightly below or somewhat above that level, depending on the cut. Inflation is not our problem today.

Problems continue to exist with respect to the marketing of agricultural products in Saigon. For security reasons most vegetables now are unloaded from trucks and reloaded onto three-wheeled vehicles at the gates of Saigon, which is costly and inefficient. The conditions of the Saigon market for foodstuffs are such that the increased costs are not being passed on to the consumer, but are being absorbed by the middlemen—and by the peasant producers. Both commercial activity and agricultural production will suffer if this situation continues.

However, the flow of goods into the city has improved. Route 20 from Dalat has generally been open, and vegetable and fruit supplies are ample given the present state of demand. Barge convoys between Saigon and the Delta are moving regularly and are bringing in appreciable supplies of rice (although larger shipments probably await announcement of the Government’s new rice program). Finally, despite the fact that truck trips from the more distant parts of the Delta now take two to five days, and the further hazards produced by the somewhat chancy nature of the military road convoys, hog shipments have come back to normal; they averaged 1,732 hogs in the period March 20–27 which matches the pre-Tet level.

The relative weight of (1) VC economic warfare (ranging from psychological campaigns among the peasantry to blowing up Route 4; (2) mercantile uncertainty; and (3) the continuing but intensified frustration of trade by GVN checkpoints and regulations, in reducing Delta-Saigon trade overall, is hard to determine. In any event, recent visitors to Delta towns such as Bac Lieu report that commercial activity there is at a very low level. Furthermore, the flow of consumer goods into the area is down, and there is a serious shortage of fuel in some areas.

Continuing insecurity is the major reason for the commercial stagnancy. However, present conditions are not so bad that appropriate economic policy measures can’t make a big difference. The Government now seems on the verge of announcing one such measure, whereby it will finance further credit to the rice trade, and also provide a guaranteed price for rice. This would be a big step forward.

We probably have at least another month, and maybe several, before inflation rather than stagnation is the danger. At present, the rapid increase in the money supply, up 17 percent since the end of December, is not being translated into increased prices because of the continuing low level of economic activity. At some point, when the economy picks up, as we hope and expect it to, prices may again start to follow the money supply.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FORTY-SEVENTH WEEKLY TELEGRAM, APRIL 19, 1968

Since my return from Washington, I have been trying to get an overall picture of Vietnamese attitudes to the prospects of US/DRV contacts and toward peace negotiations should these result from the preliminary talks. I may say that I think these attitudes are influenced both by a feeling of apprehension and uncertainty as to the course which the U.S. will pursue and a certain feeling of inadequacy, a feeling that South Viet-Nam is not yet ready for negotiations, not as well organized or as strong as the government hopes to be three or six months from now. While the picture is still somewhat confused, it seems to me that certain lines are beginning to emerge:

A. There is a general fear and rejection of coalition government. Most opinion leaders regard coalition government as Hanoi's preferred route for taking over South Viet-Nam; and they believe that any kind of coalition government would result eventually in communist control of the country. A principal factor contributing to this feeling is the lack here of an effective political party structure with organization at the grass roots capable of dealing with the tightly organized, highly disciplined front controlled by Hanoi.

B. While the situation in the United States, our racial problems, our balance of payments difficulties, and the coming election are not well understood by most Vietnamese, there is an uneasy feeling that these things may affect our ability to bring about an acceptable peace. This leads to a continuing fear that we may force a settlement on South Viet-Nam, which will result in an ultimate communist takeover. There is indeed a suspicion among the more cynical—which the VC are fanning—that we have in fact already engaged in secret agreements with Hanoi, but many, perhaps most people, simply fear that our own interests will lead us to accept conditions that in the end will mean a communist victory. These fears, I think, permeate in greater or less degree all levels of Vietnamese leadership, outside of official circles as well as in the government.

C. Vietnam anxiety about our intentions and concern about their own weaknesses are accented by the recent grim events in Hue. There the communists sought out and summarily executed those whom they considered as supporters of the GVN and the U.S. Hence I think it would not be going too far to say there is an element of desperation among some Vietnamese leaders.

D. Despite the above, I do not sense any panic. There is in fact a very substantial amount of positive reaction (some of which I shall describe in fol-
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Following sections). Such things as the acceptance of the need for general mobilization, the efforts to clean up and reorganize the government, the increasing willingness of opposition figures to work with the government, the popularity of civil defense efforts and the much improved working relationship between Thieu and Ky flow in large part from the widespread realization that South Viet Nam is at a dangerous crossroads in its history.

There is also some sober thinking about the possible terms of settlement. Many nationalists are looking for ways to buy time. One such concept is the idea of a neutral buffer zone between North and South Viet-Nam, which would include one or two provinces on either side of the 17th parallel. While the proponents of the idea acknowledge that such a zone would probably be subverted by the communists, they see it as giving the remainder of South Viet-Nam and its allies time to prepare to meet the renewed communist threat.

Others, such as Foreign Minister Do and Senator Dang Van Sung, are thinking more constructively about ways in which the NLF could be permitted to take part in the legal political activity of South Viet-Nam. Do, Sung, and others do not believe the NLF could be permitted to operate as a political party until after 1971, nor do they think it possible to allow an avowed communist takeover in the process, but they appear to be willing to see "non-Communist members of the NLF" take part individually in South Vietnamese politics, and after 1971 they believe it might be possible to permit a "non-communist NLF" to participate as a political party in the political life of the nation.

While such ideas are being discussed, my impression is that most leaders here feel that any concessions likely to prove acceptable to Hanoi would prove unacceptable to them. Thus they tend to stick to and repeat forcefully their public position: there can be no acceptance of any kind of coalition government, the territorial integrity of South Viet-Nam must be respected, they cannot accept the NLF as an equal at the peace table, and the GVN must be the principal voice in peace negotiations and must freely approve agreements made. This is the position of almost all leaders outside the government as well as those in official circles. Great emphasis is placed on the need for the GVN to be the principal negotiator in any peace talks. Public statements to this effect have been made repeatedly by top government leaders, by both houses of the Assembly, by blocks within the Assembly, by leaders outside of the government, and by political groups such as the People's Front for National Salvation and the Greater Solidarity Force.

While, as I have said, there is no panic, there have been some signs of conclusions being drawn as to what the Vietnamese themselves must do. Leaders from Thieu down have spoken of the need to fight on alone, if necessary. For example, Vice President Ky on April 12 at Can Tho said, "If there is any person at the conference table attempting to force us to accept some solutions advantageous to them regardless of our sacrifices and our survival, he could force us to accept only if our armed forces were not strong enough."
In this same vein, a number of leaders have apparently considered launching demonstrations to show their concern about American intentions and to underline their position on negotiations. So far none have materialized and we are doing our best to discourage this tendency. Yesterday, Thieu told me that he believed the more acute feelings of apprehension were subsiding, but that the feeling was still there under the surface.

As I have reported, and as Thieu confirmed to me yesterday, he is moving toward some reorganization and "restructuring" of his government. This would include broadening its base to give it wider popular support and the setting up of a smaller "war cabinet" composed of five or six individuals which would be the top policy making group and be in a position to make quick decisions in important to crucial matters.

Thieu hopes to have his plans completed by the end of this week, and will then proceed with the selection of individuals.

Thieu's brother, Nguyen Van Kieu, has for some time been discussing with Tran Van Huong the possibility of Huong becoming Prime Minister. Huong reportedly has "accepted in principle," pending clarification of the relations between the President and the Prime Minister. I think the chances appear fairly good that he will be named in the near future. There are signs that Vice President Ky is not enamored of this prospect.

In addition to Huong, there are indications that Ha Thuc Ky, Dai Viet leader and former presidential candidate; Nguyen Luu Vien, former deputy prime minister under Nguyen Cao Ky; and Dr. Phan Quang Dan, who was Phan Khac Suu's vice presidential running mate, may also be included in a Huong cabinet.

Such a government could be very good in terms of political support. Huong himself is widely respected as an incorruptible and very strong elder statesman; many people would view him as a guarantee of honest government. Huong is also the acknowledged leader of a large and quite influential group of southern politicians, who would give him backing in southern circles.

Ha Thuc Ky would bring very well organized support from Central Viet Nam. His Dai Viets are also influential in the Assembly. While Ky has a reputation for putting party above national considerations, I think Thieu and Huong could control him.

The appointment of Huong would also placate growing sentiment of the Assembly for a change in government. A number of senators and deputies have made it known for some time that to restore confidence after the Tet attacks and present the image of a forceful, effective regime here and abroad it is necessary to form a government of national union; a Huong government which included Ha Thuc Ky, Nguyen Luu Vien, and Phan Quang Dan would meet this problem quite well.

In terms of policy, I think we could expect Huong to try very hard to eliminate corruption and to instill discipline in the civil service. This could mean great improvement in the government's performance. While tough and even quite stubborn once he has made a decision, Huong has also proved receptive
to American advice in the past, and I think we should be able to work with him.

The formation of a Huong government will also be attended by some hazards and uncertainties. Neither Huong nor Ha Thuc Ky have a high regard for Vice President Ky and their attitude is well known. I have, therefore, urged Thieu to take Ky into his confidence on this matter and to seek Ky's full cooperation. I am not sure that he has done so, however, and Bui Diem's very reserved comments on the subject tend to support this impression.

There is also the possibility that Huong may come under attack from Buddhist political circles, although this does not seem to be a significant threat at this time. Another problem is the attitude of the military who in the past have considered Huong as hostile to their interests.

There is also the question of the relationship between Thieu and Huong. Thieu has increasingly shown confidence and skill in asserting his own leadership and this has resulted in more support from the Assembly and political circles in general. With a strong prime minister pushing his own programs, Thieu might tend to step back from the prominent leadership role he has assumed, although I am inclined to doubt this myself. In any case, frequent personal contact will be essential to this relationship, as it has been to Thieu's and Ky's modus vivendi.

Huong's attitude toward peace negotiations will be important. In the past, he has made it clear that we are not in a favorable position for negotiations. He has repeatedly taken the position that South Viet-Nam needs first of all to clean house and restore public confidence in the government; only then can it go to negotiations with the necessary strong political backing. Huong has expressed the view privately that to make peace now would entail accepting some very hard conditions. He has expressed the view that he has little hope that a just peace can emerge from the present talks with the DRV.

We might find that Huong is so tough and so inflexible as to make it difficult for him to work with us and deal effectively with the enemy in a negotiating situation. I can see considerable psychological advantage in facing the DRV negotiators with a man as tough as Huong, however, and in any event it will be Thieu who will make the final decisions on the peace settlement.

The Thieu-Ky relationship appears much improved. I believe that Thieu and Ky are working together better than ever before, and Bui Diem confirmed this to Calhoun recently. With the movement toward peace negotiations, Thieu and Ky have evidently both realized that it is now absolutely essential that they avoid divisions and partisan squabbles. We shall continue to keep an eye on this matter and intervene when and if it seems necessary. At present, however, they are consulting daily and seem to be working together harmoniously.

The Assembly has completed work on the budget. The lower house unexpectedly mustered the two-thirds vote necessary to override the Senate version of the budget, a demonstration of lower house strength and unity which
surprised many observers, including some senators. The bill, which made very few changes in the administration draft, will now go to Thieu for signature. Unfortunately, the bill does not provide, as we hoped it would, for transfer of funds between ministries although it does permit transfer between programs within a ministry; greater flexibility would have been desirable.

Thieu is in the process of consulting members of the Assembly on the government's draft law for general mobilization. While there is no question about the Assembly's favorable attitude toward general mobilization, they are not willing to give Thieu carte blanche in implementing it and are in the process now of working out details with the GVN. Thieu told me yesterday that he thought a satisfactory bill would be worked out and that he would also have an understanding with the Assembly on details of its implementation.

Thieu informed me April 17 that he had completed membership of the two commissions which he will chair, one on reorganization of the civil administration, the other on development planning, and that he will announce the names shortly.

An interesting development on the legislative side is the effort to form a new bloc in the lower house. The proposed new grouping would include as many as 40 deputies and would be oriented toward Thieu. If, as its leaders predict, the new bloc also cooperates with the pro-Thieu independence bloc, Thieu could have a near majority of the deputies in the lower house, at least sympathetically inclined toward his initiatives.

I am glad to report that the government has quietly released Au Truong Thanh, Truong Dinh Dzu, Tran Thuc Linh, and Ho Thong Minh; all had been in "protective custody" since late February. While initially there was little reaction to their arrests (there had been more reaction abroad than here), there has been some agitation of the issue in recent days and the matter might have become a troublesome political problem, especially in the Assembly. Minh has evidently returned to France, while Dzu is reported not only out of "protective custody" but also no longer under house arrest. Still under "protective custody," however, are Tri Quang, Ho Giac, Lieu Minh, and one or two monks from the militant An Quang clique.

I think Thieu increasingly has shown evidence of more aggressive leadership and greater confidence. I believe a number of the strong support of the constitutional government and of him as president which you have given and which I have repeatedly emphasized to him [sentence as per original]. A second factor is the threat which most Vietnamese believe negotiations poses and which has tended to provide a strong impetus for unity in the government. Rumors of a possible coup which were current in some circles a few weeks ago are no longer heard. A third factor is the initiative Thieu has shown in prosecuting corrupt officials and removing incompetent province chiefs. These actions have won general approval as an augury for the much more which still has to be done. A further factor is the increasing confidence of the military ranks in Thieu and his government. The meeting which he held with corps and division commanders on April 9, in which he endeavored
to instill in them new confidence and a more aggressive offensive spirit, is reported to have gone well, and to have resulted in further increasing support by the military.

Military activity slowed down somewhat during the past week as the enemy seemed to be withdrawing toward base areas or to the Cambodia and Laos sanctuaries. The ratio of enemy losses, however, continued high with 3,071 enemy KIA compared to 329 friendly. More than 1,500 weapons were captured during the week. An indication of the improving offensive spirit of ARVN forces is the fact that of the 95 major operations having contact with the enemy, 46 were carried out by ARVN, 23 were combined ARVN/US operations, 22 were carried out by U.S. forces, and four by free world forces.

In I Corps, Highway 9 is open to Khe Sanh, and enemy operations continue around the plateau. In the two northern provinces of Quang Tri and Thua Thien, company size units of the enemy are standing and fighting and are being destroyed. Sharp engagements of this kind in northern Quang Tri are being carried out largely by the ARVN First Division, which is in excellent shape, stronger than before Tet, its morale very high, and eager to take part in any offensive operations. In II Corps, the Third and Fifth NVN Divisions seem to be have been badly mauled, and two other divisions seem to be disengaging from the Kontum/Pleiku area. In III Corps, the enemy is also moving back toward the border, but there remain some residual elements around Saigon, which are being steadily destroyed or pushed away from the city. In IV Corps, the enemy also appears to be avoiding engagement in the Delta. There has been much less sabotage along Highway 4 with traffic flowing fairly well during the day to Soc Tang, but still encountering difficulty further south.

As we have reported on pacification and the most recent HES survey (Saigon 24361) and more briefly in my message to you in Honolulu, I will not go into details here. A good many minuses are still evident. Momentum is not yet back to the pre-Tet level. The urban recovery effort diverts considerable attention of hard-pressed local officials. The psychological shock has not yet completely worn off. More than 200 hamlets were 80 percent or more destroyed during the last two and one-half months, and about 425 more received substantial damage. Large numbers of village and hamlet officials, intimidated by the VC, left their posts.

The Chieu Hoi rate continues low. With the opening of roads and waterways, traffic is picking up but is still well below normal. Rice shipments from the Delta are running at about one-half of last year's rate. Yet when all this is said, pacification is back on the track, and we are steadily moving back into the countryside. Territorial security has been largely restored as 46 of 51 battalions assigned to direct support of Revolutionary Development returned to their campaign areas. Police strength outside major urban areas has actually increased 2,600 over the pre-Tet total of 39,150.

A very encouraging feature has been the growing success of Project Phoenix, the attack on the VC infrastructure, which is running well ahead of the pre-Tet level. Eliminations in March were the highest of any month on
record; a total of 1,323 identifiable quality (important) members were either killed, captured or rallied. The comparable January figure was 488; for February it was 540.

With the rainy season due within 15 to 30 days, over most of the country except I Corps, the main effort has been to assist in quickly resettling the 537,000 Tet evacuees (down from a peak of 623,000 on 5 March) who remain in temporary shelters or are living with friends and relatives. President Thieu has been active, has set proper policies, and has spurred Saigon ministries to put out sensible instructions. We have either pre-positioned or are now distributing most of the necessary stocks of cement and roofing to handle resettlement issues of commodities. It is a massive logistic effort for which the CORDS and USAID logistics office deserve full credit.

Recovery is one area in which strong U.S. advice and responsive assistance has produced results that could not have otherwise been attained. The Central Recovery Committee, formed at our suggestion on 4 February, has done a great deal to pull the GVN machinery closer together. Last week, we further strengthened our behind-the-scenes influence by organizing a stronger coordinating office and forming six standby tax forces to be called on when needed on such things as refugees, logistics, funds, and psychological and political matters.

Retail prices in Saigon rose moderately for the second week in a row, after a seven-week decline, as the economy is beginning to function more actively again after the prolonged stagnation which followed the Tet shock. With some restoration of confidence, people are returning to normal buying habits. The revival of activity is sure to be accompanied by renewed price inflation, and the task at hand is to keep it within bounds. The GVN has already raised some taxes by decree, is planning further such increases, and has submitted proposals for other increases to the legislature, but much more will probably be needed.

The government has now submitted to the National Assembly legislation for the creation of a war-risk insurance scheme and the Minister of Finance has accepted an offer to bring an insurance consultant on TDY to Saigon to take part in its development and implementation.

The government has just signed contracts with the rice trade to buy domestic paddy. Minister Ton's absence from the country at a Southeast Asian Economic Conference delayed action on this as well as other economic issues.

The government is also seeking to purchase rice from the United States, using its own foreign exchange. The limits here are the amount available in the United States, and the storage capacity in Viet-Nam, not the willingness of the GVN to expend its own reserves. The GVN desired 150,000 tons of U.S. rice; by the end of the week it appeared that the two constraints would limit its purchases to 50,–100,000 tons.

More complete data for shipments of rice out of the delta to Saigon in the first three months of 1968 indicate that 50,000 tons arrived Saigon. Recent
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reports confirm earlier estimates that 300,000 tons are potentially available for shipment from the Delta to the capital.
FOR THE PRESIDENT FROM BUNKER:

HEREWTH MY FORTY-EIGHTH WEEKLY TELEGRAM, APRIL 25, 1968

The past week seems to have been, in a sense, one of suspended animation. There has been a feeling of expectancy in the air, people waiting to see whether talks will get underway, and where they will be held. Your statement on the need for agreement on a site to which the interested parties would have adequate access under conditions which would be fair to both sides is considered here to be eminently reasonable and is strongly supported. At the same time, I have the impression that the general feeling of apprehension, the fear of American abandonment, which I reported in last week's message, has subsided somewhat; although some anxiety is still evident there is much more confidence in our intentions. I think it is fair to say that concurrently there has been some hardening of popular and government attitudes and positions in respect to negotiations and the whole range of questions they raise. In the speech of the prime minister on April 17, in the resolutions adopted by the Confederation of Vietnamese Labor Unions, and in the two anti-communist meetings held in Saigon over the weekend, as well as in statements by members of the government and the Assembly, opposition to any form of coalition with the NLF, insistence on the freedom and territorial integrity of South Viet-Nam, on its primary role in negotiations, and its determination to carry on, alone if necessary, to see that the fruits of its long struggle are not lost through negotiations have been emphasized repeatedly.

Your joint communiqué with President Park has had a good effect here. Virtually all Vietnamese leaders were much reassured by the statement regarding Vietnamese participation in the peace talks. I think this statement alone has taken a good deal of the edge off of their fears. Vietnamese in general also seem to be more encouraged than otherwise by the delay in finding an acceptable site for preliminary contacts. The snag over a site has at least had the merit of demonstrating to them that we are not going to be bullied or cajoled into dealing with Hanoi on whatever terms it chooses to demand. The delay has also given many people here time to absorb this turn of events and to evaluate more soberly the meaning of your March 31 speech, various subsequent allied statements, and Hanoi's response.

Leaders such as Tran Van Huong and the head of the Senate's independence bloc, Senator Nguyen Van Chuc, this week publicly expressed confidence that the U.S. would not abandon Viet-Nam. Prime Minister Loc's speech, which I have mentioned, is generally positive in tone. He noted that
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Thieu is trying to carry out the promises made at Manila, referring to the establishment of constitutional government and the attack on corruption as examples. He added that freedom-loving peoples everywhere are "looking with confidence at the role and leadership of the United States in the task of stopping the communists' bold invasion." He then said that in the light of GVN performance "Viet-Nam has the right to expect from her allies that they keep the promises they made in Manila with the view to halting communist inroads."

Military activity tapered off during the week, both friendly and enemy losses being about 60 percent of the previous week. Enemy losses of 1,899 killed were about half the weekly average for the past six months. In this connection, it is interesting to note that enemy losses during the first quarter of 1968, 73,253 killed, amounted to over 80 percent of the losses for the entire year 1967, and that the ratio of enemy to friendly losses at 7.5:1 is almost double the ratio of 1967.

While military activity declined, intelligence continues to accumulate of enemy buildup for an impending countrywide offensive. There are heavy concentrations of enemy troops in northern I Corps in the DMZ, Khe Sanh, and Hue areas, and in the A Shau Valley. There are reportedly some 51 enemy maneuver battalions in this region, supported by upwards of 17 artillery and three to four armor battalions. In II Corps, it appears the major effort may be made around the Kontum area. In the III Corps area, the 5th, 9th, and 7th enemy divisions have been regrouped in an arc to the north, northeast, and northwest of Saigon. Intelligence reports from both I Corps and from a high level defector in III Corps forecast heavy attacks for the period beginning April 24 to early May (the dark of the moon). Thieu on April 24, however, expressed doubt that the major offensive would come this soon, feeling the pressure would be stepped up either when negotiations begin or should preliminary talks fail to lead to negotiation. The enemy would then try to exert maximum military pressure. This is in line with a view Thieu has consistently expressed for some time past.

In the meantime, there are indications that the heavy southward movement of enemy forces continues. Heavy truck traffic in Laos and west of the A Shau Valley was observed last week. But while the truck destruction is also very heavy, averaging about 15 percent, it is obvious much of it gets through. A sighting of 230 sampans off the coast of North Viet-Nam 100 to 150 miles north of the DMZ, the first of such magnitude, supports other evidences of strenuous efforts by the enemy at reinforcement. Thieu is pressing the Assembly to enact a mobilization law, holding meetings with members of both the Senate and lower house in trying to get details of the legislation satisfactorily ironed out. During the past week, the defense committees of the upper and lower houses held joint meetings of general mobilization. The committee members and the Assembly in general seem anxious to write a general mobilization law which will permit the maximum expansion of the armed forces while at the same time avoiding the disruption
of essential civilian services both within the government and in the private sphere. In connection with mobilization, I should also note that the Minister of Defense in an April 20 news conference said that general mobilization will allow the allies to begin gradual troop withdrawals at the beginning of 1969. I think it is interesting to note what the proposed Vietnamese call-up of additional forces and the planned ultimate strength of their military and paramilitary establishment means in comparative terms. If we take our pre-Tet estimate that 67 percent of the total South Viet-Nam population of 17 million was under government control, it means that approximately 11,400,000 were in this category, the pool from which manpower has to be drawn. The U.S. population at 200 million is roughly seventeen and one-half times this figure. Thus if we take the 178,000 men it is proposed to add to the Vietnamese military and para-military forces, it would be equivalent in the U.S. to a call-up of 2,670,000 men under arms, on a comparative basis equivalent to over 16 million for the U.S. For an undeveloped country, this seems to me a highly creditable performance and should be an answer to uninformed critics who maintain that Viet-Nam is not carrying a full share of the effort.

Thieu said today he is continuing his study of the restructuring of the government and hopes to have this completed soon. He added that one of the problems he was running into was that of finding men of ability and influence to fill the jobs. I again brought up the question of the formation of a war cabinet, which I had suggested to him several times previously, as a means of solving some of his decision-making and administrative problems. I pointed out to him that daily meetings could bring about close consultation between himself, the vice president, the prime minister, the chief of the JGS, the individuals charged with economy and finance and mobilization. The decisions could be taken at the meetings and he as president could direct individual responsibility to see that they were carried out. I added that I thought this could result in a much tighter and effective administration of the whole military, pacification, and economic effort. I believe that Thieu is disposed toward the idea and seems inclined to act on it.

Although we had the impression last week that the formation of a Tran Van Huong government was imminent, it does not appear so now. Thieu has apparently encountered some problems. One may be Ky's feeling that Huong is too old, stubborn, and opinionated for the job. Moreover, there is probably some resistance to Huong generally among the military, all of which may have contributed to Thieu's difficulty in moving ahead. Huong himself contributed to this impression in an interview with the Saigon Daily News in which he denied that Thieu had asked him to take on the job of prime minister.

The pressure for a change in government has appeared most notably in the Senate in the debate on "war leadership policy." While a number of senators have urged caution and moderation, several others, notably [two names deleted] (both of whom probably hoped to get in the new government themselves), have insisted that the present government is incapable of running the country and must be replaced now if the nation is to deal effectively with the problem of making peace.
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The Assembly evidently still intends to interpellate the prime minister, though it is not clear how soon this will take place or even if the prime minister will agree to appear. In the meantime, various Senate committees are engaged in examining in detail the shortcomings of the several GVN agencies which they monitor; their conclusions will reportedly be embodied on some formal resolution at some point.

There appears to be a fairly widespread and quite genuine conviction that the Loc government is not up to the challenges which face it. I think Thieu himself is not entirely happy with Loc and has a feeling he lacks decisiveness, and I am inclined to believe he will go ahead with changes in the government. But evidently, as is his custom, he is endeavoring to prepare the ground carefully before moving ahead. I think it is still quite possible he may appoint Huong as Prime Minister. I also continue to believe that many of the problems he now encounters in administration would be solved by the formation of a war cabinet.

I have the impression that Tran Van Don’s front is losing ground. His visits to the provinces have apparently not resulted in extending the front to the countryside in any meaningful way. Moreover, [name deleted] suggests that the front is in serious financial straits with the treasury virtually empty. I think it would be fair to say that here in Saigon only Don’s considerable personal appeal is keeping it alive. While the front captured the initial feeling of a need to unite in the face of the enemy following the Tet attacks, this feeling has not been enough to sustain it. Failing to find a clear-cut function and lacking a grass roots organization, the front is now fading. Another reason for its present weakness is probably the suspicion on the part of many Vietnamese that it was designed to support Vice President Ky. Thieu is beginning to look much stronger as a leader and fewer politicians are now willing to go along with anything that looks like a Ky vehicle.

On the other hand, the Free Democratic Force which appeared in the beginning to have less promise seems now to have some hope of developing. According to our provincial reporters, there appears to be respectable amount of FDF organizational activity and support in some provinces, particularly in II and III corps. One report indicates that provincial leaders of many persuasions including Cao Dai, Dai Viets, and An Quang Buddhists are involved in FDF organizations in Phu Yen and Khanh Hoa. We have other reports of successful FDF appeals to local leaders in Binh Duong and Bien Hoa. While I would not want to overstate this modest progress, if it continues, there may be hope for the FDF to develop some genuine grass roots support. It is also evident that the FDF has picked up some support in the Lower House of the Assembly where an effort is being made to put together a new bloc that reportedly would be responsive to Thieu and allied with the FDF.

The FDF does not have impressive leadership at the national level. Its behind-the-scenes organizer, Nguyen Van Vuong, appears to us to be a particularly poor leader who suffers from a peculiarly convoluted and paranoid cast of mind. Despite the drawbacks of its national leadership, the FDF should
not be counted out. One of its chief assets is the general impression that it has government backing and Thieu's support. For those who want to stay on the right side of the authorities, membership in the FDF probably has a central negative appeal. As a government party, it would appeal to some ambitious men and women in the provinces who are looking for a way up. Also important is the fact the FDF is organized along familiar lines (the lines of the Can Lao and the Lao Dong) and has a clear function; support of the government and backing of government candidates in future elections.

If Thieu were openly to back the FDF, its appeal would be much increased. If it continues to grow, he may be willing to take such a step. Certainly he is keenly aware of the need for an effective, nationwide political party to back the government. He has commented to me on the government's lack of popular support in very frank terms. He has also said he is anxious to push party formation; and I think he is still looking for effective ways to do this.

Thieu has been seeing a good many members of the Assembly of late, holding lunches and small get-togethers for members of both houses. We have reports that he has been effective on these occasions in presenting his ideas, many legislators being impressed by his calm and sincere statements of the problems he faces. However, I think he has not yet created the necessary close relation with the Assembly. He does not have a good staff to help him with this, and he himself is still learning how to cultivate the legislators in an effective way; but he is trying to learn.

Post-Tet recovery in the cities is still moving, but too slowly. Despite President Thieu's continuing interest and weekly chairing of the central recovery committee, his ministries are not putting full weight behind critical recovery tasks. Hence we have kept up steady pressure on simplifying procedures, moving commodities, supplying adequate funds, removing economic restrictions, and, above all, resettling Tet evacuees.

A new and better recount of total Tet evacuees shows them down to 542,000 from a peak of 821,000. Quickly resettling them is our top priority recovery task. Assisting them to rebuild 95,000 homes which were 50-100 percent destroyed and another 34,000 homes, under 50 percent destroyed, is the quickest, most direct solution. So far, about 30,000 families have received cement and roofing, all furnished by the U.S. The GVN, largely using counterpart funds, has paid rebuilding allowances (either 5,000 or 10,000 piasters depending on location) to 23,000 families. But with the rainy season due within about 15 days over most of the country except I corps, this performance is not good enough.

Transportation, one key to faster recovery, is looking up. The first barge convoy to the Delta under a new plan, whereby USAID contracts with transporters and GVN ministries use the barges, leaves at the end of the week. Traffic is back practically to normal in I and II corps. It is running 90-100 percent of normal on most III corps roads and 50 percent on waterways. In IV corps, heretofore the biggest problem area, traffic is almost normal except
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on Route 4 south of Can Tho and the key canals. Three provinces—Vinh Binh, Chuong Thien, and Kien Tuong—remain nearly isolated. Traffic is also going up on two critical waterways (especially for movement of Delta rice to Saigon)—the Mang Thit and Cho Gao canals.

Though pacification is 99 percent GVN business, no top level body or individual guides pacification on the GVN side, as is the case on the U.S. side. As a result, GVN pacification policy develops slowly and insufficient follow-up takes place. President Thieu heads an inter-ministerial group called the Central Revolutionary Development Council (CRDC), but it meets irregularly and has no staff; hence necessary issues are not raised for decision and decisions are not followed up. We have urged Thieu to revivify the CRDC by having it meet weekly under the President’s personal direction. Thieu probably understands pacification better than any senior GVN official (he acted as secretary-general to a forerunner of the CRDC). He has a clear concept of how to achieve territorial security—the backbone of any effective pacification program. As we do, Thieu sees the RF/PF as the key to territorial security though so long as insufficient RF/PF are available regular ARVN battalions have to fill in (as 46 are now doing). Territorial security forces must be adequate to provide the climate in which other aspects of pacification can flourish. Thieu realizes the urgent need to “race the VC for the countryside,” especially before negotiations might fix opposing forces in place.

But the GVN does not have adequate machinery to follow through on Thieu’s desires. Thus constant pushing from U.S. advisors is required. For example, following up Thieu’s suggestion for running show-the-flag operations in all contested or lost hamlets, we are urging the GVN to make these the first targets of specific operations to show the people that the GVN is still in control and cares about their security.

Vice President Ky, charged by President Thieu with guiding the program for arming the people, is moving to develop an organization to handle this politically sensitive, rather complicated business. So far 820 civil defense groups have been organized in cities, with 140,000 people trained and 10,000 arms issued. In the hamlets more than 20,000 people have been trained and 3,000 arms issued. Our immediate objective is to increase weapons in the hands of self-defense elements threefold.

During my April 24 meeting with Thieu, I pointed out that we seem to face once more the problem of inflation, aggravated now by the destruction of the Tet attacks. I suggested that we have a joint economic briefing so as to have a common understanding of these problems and what it is we must do in the coming months. Thieu agreed.

Retail prices in Saigon rose for the third straight week seeming to confirm that the economy is turning around and becoming more active after the prolonged post-Tet stagnation. However, the rise of the index was again only 2 percent, and a handful of individual items accounted for most of the rise: sweetened condensed milk rose sharply because of a temporary stock shortage caused by late arrival of ships. Unloadings during the next few days should
relieve this situation. Vegetable prices were down, rice and fish stable, pork up slightly.

Revival of economic activity has stimulated an increase in import licensing. Commercial import program licensing rose in the last reported week (April 8 to 17) to $5.6 million from $1.7 million the previous week. GVN-financed licensing is also reported up, to $3.9 million, from $3.3 million for the same periods. Responsiveness of import-licensing to renewed demand is our best insurance against inflation, so this is encouraging.

Manpower continues to be a major concern on the economic side. There is no general manpower shortage, and in fact there are still some pools of unemployment created by the Tet offensive (for instance by destruction of factories) and by the curfew and the closing of bars and night clubs. But this is highly localized and confined to a few types of activity. These people are properly categorized as "fractionally unemployed."

There are on the other hand serious shortages of various technical skills, as always in this economy, and the mobilization measures taken since Tet are aggravating these. Both government ministries and private industry are affected. We have been pressing the GVN through various channels to adopt reasonable deferment procedures in critical cases, but our success in this is still somewhat problematical. Deferment of healthy, young men for any reason whatever now runs cross-current to the strong (and in most respects very desirable) urge on the part of President Thieu and other top officials to make a maximum military effort.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FORTY-NINTH WEEKLY TELEGRAM, MAY 2, 1968 I have not detected much change in the mood of the GVN or the people since my message of last week. Although some anxiety is still evident, the feeling of apprehension regarding American intentions, apparent in early April, has very considerably lessened. In my talks with Thieu within the last few days, he has exhibited a quality of orderly thinking about the plans and purposes of the enemy's politico-military strategy and has viewed with a quiet self-confidence our ability to cope with the next enemy offensive which he is certain is coming. He believes our spoiling operations may have delayed Hanoi's efforts to launch another offensive, but that cannot be long delayed, the timing probably May or early June. One excellent result of your March 31 statement and Clark Clifford's speech has been that the Vietnamese are really beginning to face up to the fact that the time will come when they will be on their own. This, together with the after effects of the Tet offensive, has meant that the GVN and the Vietnamese people are buckling down to the job of mobilizing their resources with much greater energy and determination than they have heretofore exhibited. In this Thieu has taken the lead. He has grown in stature and in confidence and is beginning to exhibit qualities of real leadership. He has set about the numerous tasks involved in getting the mobilization bill through the Assembly, in setting up machinery for its implementation, and restructuring of the government so that it will function more effectively, and making plans to broaden its base in order to widen popular support with characteristic thoroughness; also with characteristic caution in view of the sensitive problems and relationships involved with Ky, the military, Loc, and others.

In fact, I have some fear that, spurred on by our urging, as well as by the other factors I have mentioned, the GVN may be trying to do too many things at once, its reach may be beyond its grasp. There are obvious limitations on the human resources available to it and on their capabilities and these are being strained to the limit. There are, however, some untapped resources both here and among individuals abroad which should be utilized. I have previously urged Thieu to bring back competent people who, for one reason or another, have either left or been forced to leave the country, but whose talents under the changed conditions now existing, I believe, could be put to good use. We can also help by influencing the government to concentrate on the priorities. For the immediate present, I think these are (a) getting the right
kind of mobilization bill passed with adequate and effective machinery for its implementation; (b) the restructuring of the government, broadening its base to give it wider popular support and organizing itself so that decisions can be taken more quickly and, of equal importance, followed through and implemented; good decisions often are made by Thieu at the top, orders are given to carry them out, but the breakdown comes in the follow-through; (c) effective pulling together and coordination of all the GVN pacification activities, as the U.S. supporting side is coordinated; and (d) a continuing program to equip, train, and improve the Vietnamese armed forces.

Enemy propaganda has stressed the theme that 1968 is the year of climax and it seems to me that there is reason to believe that Hanoi in fact now intends to move on the negotiating, as well as military, front. I also think that the present stalemate in agreeing on a site for negotiations is a preview of the kind of tactics we may expect from Hanoi—that it is prolonging the stalemate in order to strengthen its military posture in South Viet-Nam, to continue a massive infiltration of men and material, and trying to get the maximum propaganda advantage out of what it chooses to picture as our unreasonable-ness. While this military buildup for another possible all out offensive continues, on the political front Hanoi has announced another “Front” organization, the Viet-Nam Alliance.

The Alliance appears to have grown out of the Tet-born “Alliance of National, Democratic, and Peaceful Forces.” A Liberation Radio broadcast claimed that the Alliance had held a meeting April 20–21 “near Saigon-Cholon.”

Perhaps the most interesting fact about the Alliance is its announced readiness to discuss with us South Viet-Nam’s independence, sovereignty, and territorial integrity, the withdrawal of U.S. troops, abolition of U.S. bases, and termination of the war “as specified in the Geneva Accords of 1954.” This suggests that Hanoi is in effect offering an alternative to those who are not willing to deal with the NLF. It is also patently designed to draw in those urban South Vietnamese who are not prepared to join the NLF because it is so clearly Communist dominated. Both Tran Van Do and Tran Van Tuyen have expressed some concern to us that the new Alliance may in fact attract some students and intellectuals. Perhaps the chief weakness of the Alliance is the absence of any real national figure among its leaders. In this connection, I might add that I am not sure that the GVN is ill advised in its decision to rearrest Truong Dinh Dzu. His capture by the enemy or even his voluntary defection to the Alliance is not beyond the realm of the probable. Dzu could be used very effectively to forward Alliance objectives, particularly as regards public opinion in the U.S.

While these moves by Hanoi were taking place on the political/psychological front, [source reference excised] indicated that the enemy planned to launch countrywide attacks before May 1. Several attempts to move arms and explosives into Saigon have been intercepted. As I have mentioned infiltration from the North beginning in February continues at a very
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high level. Preparations for this infiltration apparently go back to December. Some 115 “groups” of 500 to 600 men each have been identified, including two of regimental size of about 1,300 men; a total of perhaps 70,000. In addition, the enemy has expanded his infiltration and communications nets, including a major road building effort. Four new roads have been identified, two in the Khe Sanh area, one Route 547 in the A Shau Valley and one in the II Corps area leading into the Kontum area; all of these new roads are linked up with roads in South Viet-Nam. A major effort has also been made to convert these to all weather systems. The enemy has also constructed communications and power lines in the A Shau Valley. An unusual aspect of the infiltration over these networks has been the high level of daytime movement.

That the attacks have not occurred up to now may be a result of our military spoiling operations and [eight words excised] or it may be that the enemy is carrying on a war of nerves and that, as Thieu believes, the offensive is not intended to begin until later in May or in June. [source reference excised] indicates that the difficulty in learning the date and hour of an attack is that enemy military practice requires that it be kept absolutely secret; normally the earliest that any information may be expected about the date of an attack will be one day in advance. Whatever the exact timing, I think we should be prepared for the possibility that the enemy could any day now take strong offensive operations in an effort to strengthen his position at the negotiating table. Thieu has told me that he believes that the enemy will be prepared again to take extremely heavy casualties in order to achieve maximum political impact. Some Vietnamese, however, think that these rumors of attacks and movements of men and weapons are intended primarily for psychological effect with the final decision on whether to launch major attacks being held in abeyance until the outcome of efforts at talks becomes clearer.

In connection with the probable move to negotiations, a captured document issued by the Political Staff of the 3rd NVA Division Headquarters is interesting in that it reflects concern that Hanoi’s April 3 statement on talks might be misunderstood by the troops and thereby impair their willingness to continue the struggle. To counter these tendencies, all units are instructed to convince the troops that the restriction of bombing in North Viet-Nam “derived from the successful all-out attacks carried out by our army and our population.” The directive specifically states that while “there will come the time when we have to accept diplomatic meetings with U. S. aggressors,” this will not change the basic policy. Military objectives are to remain unchanged and are (a) to destroy ARVN and overthrow the GVN; and (b) destroy a significant portion of U. S. troops and war facilities.

Thieu told me in my most recent talk with him that he plans to announce changes in the government as soon as the general mobilization bill is passed, which he expects will be about May 10th. At that time, he would plan to announce structural changes in the Cabinet and “possibly” personnel changes. He made some further comments about Tran Van Huong, saying that “he is not bad but might wish to build up the sudiste influence in the government.” I
have the impression that Thieu is strongly leaning toward the appointment of Huong and toward the formation of a War Cabinet, but that he has not yet completed his arrangements, which probably include working out the problem with both Ky and the military.

Although Thieu publicly gave Ky responsibility for Civil Defense on April 2, most of the accomplishments to date in that program have resulted from the prior activities of the Ministry of Interior. Some substantial progress has been made, but there is much yet to be done. Thieu has not yet signed the decree which would bring into legal existence the proposed inter-ministerial committee and secretariat for Ky's program. Judging from [source reference excised] Ky intends to issue arms to some political groups; Thieu, on the other hand, reportedly opposes arming any political or religious groups as such.

The lower house on April 29 engaged in a hot debate on the "matter of the cabinet and the state of the nation." This was in effect a debate on the question of no-confidence, though it was not billed as such. Strong criticism of government performance was voiced, particularly with reference to the Tet attacks. Prime Minister Loc was the principal target. Several deputies called for a government of national union capable of dealing effectively with the enemy in negotiations. Defenders of the government at first tried to stifle the attacks by procedural objections, then charged that critics of the regime "only serve the cause of Hanoi." This caused further warm exchanges.

When I saw him April 30, Thieu did not seem perturbed by the uproar in the Assembly. He observed that the debate was a warning to him that he must change the government or face more such attacks. [source reference excised] indicates Thieu in fact may welcome Assembly demands that he strengthen the government. As the debate took place in a rather unexpected way—the subject was not due to come before the Assembly for some time but was raised by the chairman at the opening of the session—I am not sure but what the debate may not in fact have been a Thieu maneuver to create the necessary atmosphere for the changes he wants to make.

The Lower House Defense Committee has completed its work on the draft mobilization bill, and plenary debate is expected to begin May 2. The bill appears generally satisfactory in its major provisions although it could of course be improved in some respects. As it now stands, it would require mobilization of all males between 16 and 50 years of age, to serve either in the armed forces or in people's self-defense forces. The bill rejects draft exemption or mobilization in place for any reason other than physical disability or serious illness. Deferments are provided for such categories as essential technicians, teachers, outstanding students, police, priests and bonzes, and Montagnards. The bill also provides that female citizens between the ages of 18 and 29 may be called up to serve in the fields of education, health, and social welfare if there are not enough volunteers.

The lower house has been debating a press law while waiting for the Defense Committee to complete work on the draft mobilization law. A number of articles have been approved, including one which would require newspapers
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to submit copies of each issue to GVN agencies prior to distribution. While an earlier article rejects any kind of censorship, this provision for government scrutiny prior to distribution is widely regarded as a form of de facto censorship. Press representatives are lobbying actively against various such provisions which they regard as infringing on freedom of the press. Final form of the bill thus remains in considerable doubt, but it appears that the law is likely to allow the government at the least a considerable degree of influence over what appears in the press.

Remnants of Diem’s Can Lao party became active in Vietnamese political life during last year’s elections, and one successful Senate slate (that of Tran Van Lam) is widely regarded as Can Lao representation in the legislature. Recently there have been a number of reports of the formation of new parties by Can Lao leaders. One of these was publicly launched Sunday in a meeting in Saigon. Known as the Viet-Nam Humanist Social Revolutionary Party, this new Can Lao group is headed by Truong Cong Cuu, who was Super Minister for Cultural Affairs in the last Diem cabinet. Chief leader behind the scenes, however, is reported to be [name deleted]. The Humanist party does not look very impressive and is not likely to have much of an impact on the political scene. It is a good sign, however, that the political atmosphere here is now such as to permit the reappearance in public life of more of the Diem period leaders. Many of them were men of real ability, and Viet-Nam needs all the capable men it can muster. There is the possibility that the re-emergence of such figures, with their strong Catholic bias and their Can Lao taint, will stimulate a hostile Buddhist reaction. Such a reaction is not evident as yet, however, and on the whole the reappearance of such leaders is probably to be viewed as a positive development.

The main thrust in recovery is still resettlement of the Tet evacuees. Thieu and Prime Minister Loc have been taking action at the top; but too often instructions get watered down before being sent out. Other instructions are sometimes vague and consequently let corps commanders and province chiefs take the easy way out. We have often been able, by quick follow-up, to get the GVN to clarify instructions. As an example, Thieu has ordered that provinces will distribute allowances to evacuees within one week after receipt from Saigon.

Tet evacuees are now down to 520,000 from 542,000 a week ago and a peak of 821,000. Distribution of allowances is speeding up, though still only about 30 percent complete. Another plus is the fact that eleven weak or corrupt provincial refugee chiefs have been replaced since February 1.

The U.S. share of the recovery job has largely been completed, with delivery of resettlement commodities to all except four provinces. The magnitude of this effort is indicated by the fact that 77 tons of recovery commodities have been released from Saigon and corps warehouses.

The series of quarterly reviews held last week by General Westmoreland and General Vien in each of the four corps areas underscored the neglected state of Regional and Popular Forces which bear chief responsibility for terri-
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torial security. Despite the U.S. effort directed at strengthening RF/PF, the program is only slowly picking up momentum. Hence, General Westmoreland has stepped up assistance and pressure from MACV. First issue of M-16's to RF/PF units is planned for July. More than 100 five-man mobile advisory teams—made up of combat veterans from line divisions—have been deployed to work with RF companies and PF platoons. We now have a computerized evaluation system to keep track of 1,000 RF companies and more than 4,000 PF platoons, give us advisors' rating of their effectiveness, and identify problem areas. When Thieu was briefed on the system last week, he asked for management data monthly for use by his staff.

An important seminar is planned by RD Minister Tri on 8-10 May to disseminate the new guidance on accelerated pacification for which we have been pressing. Main changes include: (1) simplifying concept by reducing current three varieties of pacification hamlets to one; (2) focusing RD team work on four instead of 11 objectives; and (3) orienting the RD team on permanently working the five or six hamlets in each village rather than moving every six months. These changes are aimed at getting RD teams to cover more hamlets and concentrate initially on the minimum essential needs.

The tempo of military activity continued at about the level which I noted last week. In I Corps, activity in the Khe Sanh–DMZ was relatively light. The enemy is still around Hue and in the hills west of the city, and in small scale actions is standing, fighting, and being destroyed. The A Shau Valley operation with its high risks, marginal weather, and extremely rugged terrain is continuing successfully, although meeting what General Westmoreland has described as unprecedented heavy anti-aircraft fire. Large quantities of weapons and ammunition have been captured, including several rounds of 122 mm assault artillery ammunition with cases which give a range of 25,000 yards, sophisticated mine detectors, and a broadcast studio.

In II Corps, perhaps the most notable operation was carried out by the Korean Capital Division in Binh Dinh Province with really spectacular results. Two hundred six of the enemy were killed, 85 taken prisoner, 99 individual and 14 crew-served weapons captured, with a loss of only two friendly killed, and 10 wounded.

In III Corps, the results to date of the combined US/ARVN operation Toan Thang (Complete Victory) have been 1,785 enemy killed against a loss of 301 friendly forces.

In IV Corps, General Thang has maintained the tempo of his offensive operations. There have been very few enemy initiatives other than the shelling of Can Tho. The 7th ARVN Division in IV Corps has been performing very well.

Some examples of effective joint ARVN/US operations may be of interest.

In I Corps, near Dong Ha, two battalions of the Second ARVN Regiment and the Second Squadron of the 7th Cavalry Regiment, U. S., engaged an estimated two to three enemy battalions. Accumulated results for the action were friendly 6 KIA (4 USMC, 2 ARVN), 47 WIA (22 USMC, 25 ARVN),
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enemy 130 KIA (26 by USMC, 104 by ARVN), 11 individual and three crew-served weapons captured.

Also in I Corps, in Thua Thien Province, the crack ARVN “Black Panther” company made contact with an unknown size enemy force. Four companies of the 101st Airborne Division, U.S., cordoned the enemy units and provided supporting artillery and gunships while the ARVN “Black Panther” company attacked the enemy positions. Accumulated results were friendly 4 KIA, 16 WIA, enemy 2,117 KIA (102 by ARVN and 115 by U.S. forces).

In Go Cong Province in the Delta, a combined force of elements of the 7th ARVN Division and five RF companies while on a sweeping operation made heavy contact with an estimated battalion size enemy force. The action lasted through two days and resulted in 9 friendly KIA and 49 wounded. The enemy lost 132 killed, 8 prisoners, 34 individual and 7 crew-served weapons captured.

During the past week, the possibility of a new enemy attack on Saigon caused some agitation in the marketplace. There was a sharp rise in prices last Thursday and Friday, as householders laid in stocks of rice, meat, and other supplies. However, the situation never went beyond a “moderate anxiety” level; there were few if any queues and no shortages developed. On Monday, after a quiet weekend has passed, prices dropped, though not completely to the previous week’s level.

The net increase last week was two percent in USAID’s index, the fourth straight week in which increases of that magnitude have been recorded. Rice, pork, and vegetables were all higher. Sweetened condensed milk, threatened with shortage last week, dropped in price with new import arrivals.

Vegetable shipments to Saigon from Dalat over the past several weeks have been fully up to last year’s levels. Live hog arrivals have also been restored to the pre-Tet norm of 1,700–1,800 head per day, though the proportion coming in from the southernmost Delta provinces is still believed a little low.

During the week, merchants signed contracts to sell approximately 40,000 tons of rice to the Government under the new price-supported scheme. Deliveries from the Delta to Saigon continued to be low: only 3,600 tons are reported as arriving in the first half of April. In all likelihood, however, this was due to the fact that merchants were waiting for confirmation of the GVN purchases, which had been widely expected. The second half should show improvement.

Though the mechanics of the GVN’s commercial purchase of American rice were complicated and produced problems, by the end of the week, approximately 50,000 tons was purchased. This rice is to be shipped from the U.S. in May and June.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FIFTIETH WEEKLY TELEGRAM, MAY 9, 1968

Last week, two events very largely preempted attention here. The first was the announcement on the agreement of Paris as a site for contacts. The second was the widespread attacks which began on the night of May 4–5, only two of which were significant.

The agreement on Paris was accepted by the GVN without enthusiasm although considered far preferable to either Phnom Penh or Warsaw. The lack of enthusiasm for Paris is due to the widespread feeling that South Vietnam was abandoned by the French in 1954, that De Gaulle has been highly partisan in his attitude toward the war, and that the French have ambitions to regain influence in Indo-China. Nevertheless, Thieu and SVN leaders in general are now quite prepared to go along with Paris as the site for preliminary talks, but will be watching to see how the French handle things before having a final view on whether it should be the site for substantive negotiations. I believe your decision to hold out against Warsaw was a wise one because of its effect both here and in Hanoi. Here, it has given the Vietnamese confidence that we are not so eager for a settlement that we will allow ourselves to be pushed around by the communists. Hanoi knew from the outset that Phnom Penh and Warsaw were unacceptable to us. It is a good beginning to let them know that we do not propose to go to negotiations from a position of weakness and that we can be as determined and patient as Hanoi.

In our discussions with the GVN it is apparent that as we enter preliminary talks, our problems will revolve particularly around the question of the role of the NLF, both in negotiations and in the eventual political settlement.

Some concern was also expressed on two points regarding the "No Advantage" formula: (a) How violations of the formula could be ascertained and established; and (b) concern that with the current high rate of infiltration, the enemy would derive major military advantages from delay in agreeing on a site and a stringing out of preliminary talks. On the first point, I think we were able to convince them that with continuing reconnaissance and our combined intelligence resources, we should be able to ascertain any violations. On the second point, I pointed out that with the DMZ foreclosed as an avenue of infiltration, with the monsoon in Laos now breaking, and with continued interdiction of infiltration routes through Laos, infiltration should be substantially reduced.
On the matter of substantive talks, "participation" is a highly sensitive problem. It is apparent that for domestic political reasons, the question of their own legitimacy, and the impression created abroad the GVN places great importance on being publicly recognized as the major participant on "our side." While I believe that essentially we are both talking about an "our side, your side" formula, which is not too precisely defined, the GVN is less concerned about procedures than about their being accepted as a spokesman on "our side" to whom Hanoi must listen and talk. They seem reconciled to the NLF being present and speaking under a formula in which one side would be Saigon and its friends (which they understand to be the U.S. representing all other Allies) and the other side would be Hanoi and whomever it chooses.

While their views on a political settlement are obviously very preliminary, they expressed the view that, assuming there is a verified and enforceable withdraw of NVN armed forces and effective international guarantees against renewed infiltration of military forces, equipment, and supplies, the GVN is prepared to accept whatever risk there may be under the concept of "one man, one vote." In their view, this would involve the NLF accepting constitutional methods and cutting its ties to the North. While they envisage that guerrillas and political cadre will remain to carry out efforts at subversion, they believe they can handle such problems if the conditions of a settlement are satisfactory. It must be said that despite all our assurances, the Vietnamese remain apprehensive about our intentions with regard to the NLF and any hints of concession to the Front will raise their suspicions.

Thus I foresee not only long and difficult talks at Paris, and at the subsequent negotiating site, but also difficult discussions here in Saigon between ourselves and the GVN. If we keep the GVN fully currently informed and deal frankly with Thieu at each step, I believe we can bring them along with us. But we need time to explain what we propose to do and to get their acquiescence; and effort to force rapid decisions or present them with a fait accompli can only serve to arouse their suspicions about our motives.

A widespread attack against some 126 cities and towns which began on the night of May 4-5 is clearly an attempt by the enemy to bolster its position at Paris. From a military point of view, most of the attacks are quite unimpressive. Except for Saigon and areas in I Corps north of Dong Ha and around Hue, the attacks have been with a few rockets and mortars which did little damage. As you know we have had good advance intelligence, some of it from a high level defector, which indicated that the attacks would come about this time. Since there was no element of surprise, the people were ready and did not panic. Not long ago, Thieu said to me that the enemy would try to exert pressure about the time talks began, and that in any case the attacks could not be long delayed. A factor may have been evidence we have had of declining enemy morale among both troops and cadre since Tet. Another may have been the problem of supply, for we have been picking up very large caches of weapons and ammunition in widespread areas as well as capturing large numbers of individual and crew-served weapons. While it is
true that a number of the enemy’s main force elements have not been committed and that a substantial thread exists in the central highlands, it seems to me several things have been demonstrated by this recent effort. Our troops were alert, at full strength, and poised for any attack that might come. Secondly, was the fact that the enemy’s effort was far below the level of Tet, that something went wrong with his coordination, and one may suspect his capability is not what it was. As in the beginning days of Tet, the enemy losses have been extremely heavy. From the beginning of the attack, 4–5 May until midnight 8–9 May, he has lost 5,781 killed, compared to friendly losses of 840 (227 U.S., 609 ARVN, four Free World).

In Saigon, most of the action has been in Cholon, and in the western and southern outskirts of the city in districts 6, 7 and 8. Here, the enemy is still holding on doggedly, engaging in terror tactics, and directing attacks at power plants. While the damage resulting from the new attacks is not yet fully known, and there will undoubtedly be more before the VC are fully routed, in comparison with the Tet offensive, it is so far quite light. Up to this morning, it is estimated that there are some 31 new evacuees, but a good many of these are reported already returning to their homes. A few hundred more Saigon homes have been destroyed, although there is as yet no accurate count. Elsewhere in the country, reports indicate still lighter damage since few attacks penetrated urban areas.

Saigon is reacting well to the current attacks. Morale is generally good. All major utilities are in operation, the Central Market is about 75 percent open (although food prices are up sharply), newspapers are appearing as usual (with thorough coverage of the recent attacks), traffic is lighter than usual, but still flowing freely in most parts of the city, government ministries and the Assembly are working normally, and refugees are so far being cared for adequately.

I think that what was said of the enemy’s objectives in the Tet offensive can be said also of these attacks, that his main purpose has been to gain political and psychological advantage in order to strengthen his posture in negotiations. He hoped, I think, on the one hand through assassination and terror tactics and on the other through the effort to gain converts to the new “Alliance” to weaken further the political fabric of the GNV, and to make psychological impact on opinion here and abroad. I think we must make a determined effort to see that the world understands the nature of the attacks, including the intention behind them, the terror tactics employed, and the enemy failure on the ground. We should stress the fact that the enemy is deliberately trying to increase civilian casualties while we are trying to move toward peace; that on the contrary if they persist in these tactics, they risk military retaliation.

On May 7, in the frankest talk I have yet had with Thieu, he opened up his thinking about restructuring the government (Saigon 26727). He described his dissatisfaction with the present governmental machinery, with Loc’s inability to take decisive action, and with the obstacles preventing him from getting
vigorously at corruption, and the unwieldiness of the present cabinet and the incompetence of some of its members. In a long talk which Thieu had on May 4 with Tran Van Huong, they apparently came close together in agreement on what needs to be done. In essence, Thieu plans to reduce the size of the cabinet, to set up the equivalent of a smaller "war cabinet" though not designated as such, to bring in Tran Van Huong as prime minister, and also to include Ha Thuc Ky, Dr. Phan Quang Dan, and others in the government to broaden its base and increase its efficiency. Among other appointments he proposes are those of Mai Tho Truyen, Huong's vice presidential running mate, to the Inspectorate; and a general officer to command the Capital Military District reporting to the III Corps Commander, Gen. Khang. Contrary to some rumors, he proposes to continue Gen. Cao Van Vien as Chief of the JGS. Apparently, both Thieu and Tran Van Huong feel that if they are to get at corruption in the police and other branches of the government, Gen. Loan will have to be shifted to another command because of the protection he gives to many individuals engaged in corrupt practices. Loan is in many ways a controversial character. Our people who work closely with him believe he has been an able and effective Director General of the National Police and he has pushed hard on Operation Phoenix designed to get at the infrastructure. He is a man of undoubted personal courage. He is, however, erratic and frequently through his actions compromises his own and the GVN's image. His name has been connected with unsavory rumors and I think there is little doubt that the reputation of the police with the general public is quite low.

Thieu has had a frank exchange with Ky and some of the generals of the deficiencies of the present government. But at the time of my talk with him, he had not yet gotten down to specifics or personal changes with Ky.

The Administrative Reform Council, chaired by Thieu, has been officially announced and will presumably be in action shortly. Thieu has also signed the decree setting up the civil defense machinery under Ky and we understand that Ky's staff is moving rapidly to get a cadre training program underway.

While field reports necessarily take time to assemble, our preliminary assessment is that no pacification setback comparable to Tet is in the making; in fact very few losses have been reported to date.

Responding to Thieu's request, Bob Komer had a long talk with him on pacification. Thieu agrees with us in seeing it as a critical factor in the decisive year 1968. As he has frequently said, a VC main target is to gain control of as much of the rural population as possible in order to put themselves in a strong negotiating position, and to reinforce any demand for coalition government or partition.

While agreeing that the GVN's pacification concepts and policies are sound, Komer pointed out that the program was lagging badly because of inadequate machinery for carrying it out. He proposed that Central RD Council, which now meets infrequently, be revivified to provide top level impetus and follow up. Similar problems exists at corps and province level.
Thieu assured us that he is working on leadership problems; that very soon many more province and district chiefs would be replaced.

Komer also stressed two short term incentives which could help gain support of the peasant. First is the provision of adequate security, including persistent attack on the VC infrastructure. The second is in giving the farmer a better price for his crops. The Ministry of Economy has not yet made much of a dent in the problem of removing restrictions and eliminating practices which drain off piasters and thus deny the farm and the merchant a fair return.

Commendable initiative by the GVN to move rapidly ahead with general mobilization is not without serious side effects. The latest Assembly version of the draft mobilization bill could cause serious trouble for the pacification program and impair the effective functioning of the government. Drafting all men under 21 would mean losing 7,100 of them or 39,000 RD Cadre and 7,000 police. Prohibiting recruiting for RD Cadre, police and other paramilitary forces in the 21–34 age bracket would also create serious problems. We have, therefore, suggested to the GVN, and I have urged on Thieu, that all military and paramilitary forces be covered in the mobilization, since the police, the RD cadre, the CIDG, and the PRU are just as actively engaged in fighting the common enemy. This will prevent serious reshuffling and any disruption of the momentum of ongoing programs.

Last week's exceptionally strong directive from Thieu to province chiefs and mayors to speed up resettlement is beginning to show results. Over 40 percent of recovery requirements have been satisfied. Building allowances paid climbed to over 38,000 (vs 28,000 the week before), and over 43,000 families have received cement and roofing (vs 32,000 a week ago). In Saigon, apartment construction projects are progressing well, already up to the third floor at 20 sites.

By last weekend Tet evacuees had declined 10,000 to 510,000 in contrast to a peak of 821,000. In addition, there are over a million non-Tet refugees, who require continuing care until they can be settled.

The economic picture has once again been dominated by VC activity. On Monday May 6, retail prices rose 21 percent above their April 29 level; some tendency to buy and hoard staples such as rice was noted. Another sign of the uneasiness produced by VC harassment of the city was a jump in the price of gold. Supplies of most foodstuffs continue to be good. However, over the past weekend there was a VC attack on a Route 4 civilian convoy and also, more unusually, on barges moving through the Delta. There is some current intervention of meat and vegetables to Saigon, but rice stocks are ample.

A survey of economic conditions in the Delta that commenced last week indicates that, at least prior to the weekend, the Delta economy was returning to normal. Shipments of tools in and out were building up, in some cases had reached or surpassed pre-Tet levels. One continuing problem is transportation costs, which continue to be as much as twice pre-Tet levels, despite the return
to relative normality. The increased costs are chiefly a risk of premium paid to owners and drivers.

The rice trade has not returned to normal. Paddy prices continue to be low; white paddy is selling for about VN $11 per kilo—about two piasters less than a year ago at this time. Economic officers and rice merchants agree that the volume of paddy purchases continues low. Flows of rice into Saigon are also subnormal; available data indicate that April rice deliveries were in the 22,–25,000 ton range.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FIFTY-FIRST WEEKLY TELEGRAM, MAY 16, 1968 A number of significant events occurred during the past week.

The back of the enemy attack on Saigon has been broken and again he has suffered extremely heavy casualties. From the beginning of the attacks on the night of May 4–5 to midnight May 15, in the country as a whole the enemy lost 11,633 killed (more than half in the Saigon area) and well over 2,000 weapons. Friendly losses for the same period were 907 KIA, 169 missing, a heavy setback militarily. But I think it is also clear that he had objectives other than military. One was an attempt to bolster his position at Paris and to impress American and world opinion with his ability to mount substantial campaigns against the cities and towns of South Vietnam. In shifting their strategy from the countryside to the cities, and especially Saigon, they are hoping by means of repeated attacks, raids, sabotage, shelling, and the destruction of more and more parts of the city to undermine the fabric of government and to produce the uprising that would destroy it. One cannot ignore the fact that in creating another 125,000 refugees or evacuees in Saigon and Gia Dinh and in the severe damage or destruction of another 16,000 houses (probably a conservative estimate) the enemy has had a considerable measure of success. In the recent attacks, except for I Corps and Saigon, mostly by rocket and mortar fire, much of the enemy's main force has been uncommitted and he is, therefore, in a position to continue his harassing attack. That he will continue to be defeated and suffer heavy losses, I have no doubt. But if he continues to create refugees, to destroy and damage houses and industrial plants, the question is how this can be endured without threatening all that has been achieved here.

Hanoi, I think, is taking a calculated gamble, believing that our desire for peace and to de-escalate the war is now so great that we cannot reverse this trend, that we will not dare to restore bombing of the North or retaliate against Hanoi. It is for this reason that in my two messages this past week (Saigon 25928 and 27121) I urged that we not agree to cease our bombing of the North without specific commitments from Hanoi with respect to activity in the South. It seems to me we should make it clear that the attacks against Saigon and the cities, which are essentially attacks on civilians, are just as much "taking advantage" of the San Antonio formula as the doubling of the rate of infiltration which has occurred since August–September
1967 and the attacks on the demilitarized zone; and that these cannot be car-
ried out with impunity and without fear of retribution.

Thieu inaugurated a series of weekly radio and television speeches to the
nation May 9. It was a good speech reviewing the impact of the recent at-
tacks, noting the heavy casualties inflicted on the enemy, but also the damage
and suffering caused by the communists. He emphasized the fact that the
enemy had increasingly resorted to sabotage, assassination, political activity.
He congratulated the people and the armed forces for their performance dur-
ding this new test of their courage and determination. He concluded his speech
by expressing the hope that in his next address to the nation, probably this
week, he would be able to speak to them on the subject of “reorganizing” the
government.

In my talk with him on May 14, Thieu said that he was in the final stages
of deciding on the new structure of the Cabinet and was examining with Tran
Van Huong names for those to be replaced. He said that he had talked with
Ky on the day before and had overcome his objections to Huong as prime
minister. Thieu himself had canvassed the whole field and remarked that,
“The fact is there is no one to appoint prime minister except Huong.” His de-
cision not to make any change in the military commands is also reassuring.
This presumably, for the present at least, will apply also to General Loan as
Director-General of the National Police. In any case, it appears now doubtful
that Loan will be able to resume his duties for some time. His leg wound is
apparently serious enough to make it possible that some amputation will be
necessary. Even if his leg is saved, he will lose some mobility and it seems
unlikely that he can continue actively as police director. The circumstances
under which this situation has developed are such as to avoid what might
have been a source of friction between Thieu and Ky.

Concern over the subject of negotiations seems to be a countrywide sub-
ject in South Vietnam at present, linked, as it is, to the future of every South
Vietnamese in the most direct way. Reports from various sources in II, III,
and IV Corps, I think, give some general indications of how the average per-
son is thinking. An observer from Gia Dinh Province in III Corps feels that
the peace initiative has produced three divergent positions: in the first group
are GVN officials, the military, wealthy businessmen, some educators, Cathol-
ics and those who came south after 1954. This group strongly opposes peace
moves at this time, for it feels that the GNV is in no position to emerge from
talks with results that will be acceptable; that the result of talks would see the
formation of a coalition government with eventual takeover by the commu-
nists. In the second group are low to middle income urban workers who were
initially pleased with the prospects of peace, but now seem concerned about
their economic future in a peacetime situation without the U.S. presence. In
the third group are the peasants and farmers in rural areas without any politi-
cal view or ideological beliefs who would welcome an early end to the fighting
on practically any terms.
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In II and IV Corps, also, there seems to be evidence that the urban and rural poor want peace more than anything else and are not greatly concerned in the manner in which this might be achieved. There is on the other hand a growing body in the cities who have seen death and destruction all around them, who have been outraged by the terror tactics of the Viet Cong, and who are increasingly apprehensive of any arrangement which would threaten to bring the communists to power. In the rural areas also, although there is much bending with the wind, there is growing resentment at the enemy tactics of forced heavy taxation, of abduction, and assassination and terror.

A welcome development of this attitude has been the gathering momentum of the self-defense program throughout the country. In a radio and television speech on May 11, Vice President Ky outlined the objectives of the People's Self-Defense Organization: (1) to mobilize the entire population; (2) to create a force in the rear areas to release the army for combat; (3) to strengthen the will of the people for defense of the national cause; (4) to create a people's force to strengthen the voice of the Republic of Vietnam at the conference table; (5) to permit the country to maintain a total war of an extended duration; and (6) to distribute the national potential rationally to permit it to fight and produce at the same time. The students seem to have already been pressed into service in Saigon. [name deleted] remarked that he thought the students seem to have taken hold with a good deal of enthusiasm and remarked that he thought the students were enthusiastic in participating in the defense of the capital and that if the communists attack them or attempt to kidnap them, they will meet with strong opposition.

I have reported quite fully on our discussions with Thieu, Ky, and Dr. Tran Van Do on the subject of peace negotiations. They have been pleased with the two statements made by Ambassador Harriman. But at yesterday's meeting, I sensed some sensitivity on their part that we might be getting into substantive talks without their presence. I note that Ambassador Bui Diem expressed some similar fears in Paris. This continues to be a highly sensitive matter here and could be politically explosive.

The lower house completed action on a general mobilization bill on May 10, and the upper house began discussion of it yesterday. The bill, as drafted, appears to give the GVN adequate authority to use decree power to issue the necessary implementing regulations, but the test of its effectiveness will come in the implementation of the law. So far, no regulations adequate to the protection of the civil administration and the functioning of the economy have been drafted. We have repeatedly called this to the attention of both Thieu and the Prime Minister, and both have agreed that it is important that this be done, but to date no effective action has been taken. This is in great part due to the fact that with the changes in government reported imminent, ministers are reluctant to act for this reason, not only as it applies to mobilization, but as it affects the functioning of the entire government. I hope that Thieu will be able to make his proposed changes this week. There is bound to be some drag while the new ministers are familiarizing themselves with their jobs.
On May 13, Prime Minister Loc appeared before the upper house in the morning and the lower house in the afternoon in answer to their request for interpellation and to report on the achievements of his government after six months in office. He commented at length on the GVN response to the Tet offensive, on the plans for general mobilization, on measures to improve the efficiency and honesty of the government, concluding by asserting the determination of the GVN to achieve "three national targets: to build democracy, to resolve the war, and to reform society." He took cognizance of the reports about changes in the government by saying that cabinet changes or changes of personnel are necessary when the situation warrants them and that the cabinet is ready for changes or for withdrawal when the interests of the nation require it. Loc handled questions well, but I think the performance as a whole is unlikely to change Thieu's view that a cabinet change is necessary.

The "South Vietnam Alliance of National, Democratic, and Peace Forces" on which I reported two weeks ago has had less of an impact than appeared at first might be possible. I think there is little doubt that the communists have been looking eagerly for "respectable" personalities to give the "Alliance" an appearance of legitimacy. I have the impression, however, that the communists will have difficulty in maintaining any significant distinction between the NLF and the "Alliance" among most of the South Vietnamese public. There is, of course, no distinction and Radio Hanoi's constant attention to the "Alliance" will tend to underline this fact in the public mind.

Outside of Saigon, the mood of public confidence has grown steadily over the past weeks, as the work of recovery proceeds, the economy begins to revive, and the events of the Tet offensive fade from memory. The "second wave" offensive was largely directed at Saigon and most province and district capitals suffered from nothing more than a few mortar and rocket rounds.

As the enemy elements in the Saigon area were being cleaned up, the heaviest fighting this past week took place in Northern I Corps. There was a major enemy thrust across the DMZ and considerable activity in the Khe Sanh plateau. Enemy activity continued around Hue and there was some shelling of the city. In the A Shau Valley, our forces met little resistance but continued to find caches of weapons and ammunition and also a large underground hospital. We are now withdrawing from the A Shau Valley, but will leave behind a roving guerrilla force and establish a 175mm artillery base within range of the valley. A few rockets were fired at Danang, but the fire was inaccurate and little damage was done. The Special Forces outpost at Kham Duc in Quang Tin Province was attacked and overrun in the early morning hours of May 10. General Westmoreland had previously decided to withdraw forces before the attack took place. In the process two C-130s and four helicopters were lost. One hundred fifty Vietnamese dependents were killed in the loss of one of the C-130s. In Binh Dinh Province in II Corps, the 22nd ARVN Division, the RF/PF and the 173rd U.S. Airborne Brigade have been doing well. In Tuyen Duc and Lam Dong provinces, the ARVN suffered three bad ambushes.
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I have already reported on the activities around Saigon in III Corps. In IV Corps, the Vietnamese forces had two successful operations, one in Vinh Long Province, the other in Chau Doc. Ky told me yesterday that the IV Corps Commander, General Thang, reported that contacts with the enemy were getting more frequent and closer to the towns, and that he was looking for some stepped-up activity. He felt that this might come within a few days, perhaps around the 19th.

Field reports from all 44 provinces indicate that pacification programs were hardly touched by the so-called “third phase” VC/NVA attacks. As a result, pacification activity in the countryside is proceeding at about the pre-attack pace—slow but hopefully sure.

Our assessment shows that, in contrast to the Tet offensive, only one battalion and one company were repositioned this time to defense of province and district capitals. Nationwide, the enemy overran only 16 outposts of more than 4,000; at least 10 have been reoccupied already. Only six out of more than 700 RD or Truong Son teams were withdrawn from hamlets, in contrast to more than 300 teams withdrawn during the Tet offensive.

The psychological impact on the population also seems far less than the Tet offensive. The people were better prepared for the May attacks, the armed forces and police were at strength and on the alert, and the enemy attacks were much weaker. Excessive concern with security is not evident. However, damage in Saigon/Gia Dinh will present additional urban recovery problems.

All told, we are pleasantly surprised with lack of impact on pacification from recent attacks, though still concerned with the relatively slow pace and lack of strong direction in GVN pacification program.

Though the May attack does not present us with any nationwide urban recovery problem comparable to that after Tet, the damage in Saigon and Gia Dinh area was heavy. We estimate 90,000 refugees in Saigon and 35,000 in area surrounding Saigon. Houses destroyed or severely damaged number about 9,500 in Saigon and 6,000 in suburbs according to first, probably conservative, estimates. Economic effects so far are minimal. Already 24-hour curfew imposed in parts of Saigon has been lifted to 1600–1900. Police are escorting commercial trucks into Saigon, rice prices have almost doubled as a result of scare buying and temporarily decreased supplies. At first, the GVN was inclined to try to handle this new recovery effort through normal ministerial channels, but we are recommending that the Central Recovery Committee should take charge. Thieu will have to exert personal leadership if quick results are to be expected.

Meanwhile, resettlement of Tet evacuees continues. The number has dropped to 388,000 (versus 510,000 a week ago), as resettlement commodities and allowances are pumped out through provinces and districts that have finally gotten geared up. Rainy skies have given many families living in temporary shelter incentive to reconstruct their homes. About 40 percent of the estimated million plus bags of cement and a million sheets of aluminum
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roofing have been distributed to families whose homes were more than 50 percent destroyed. Better than 90 percent of total cement and roofing required has been delivered to provinces for local distribution. Nearly 100,000 tons of commodities have been released from Saigon and regional warehouses to assist Tet victims. With supplies on hand, or due in South Viet-Nam ports shortly, we believe new attack victims can be handled in the same way as the 821,000 Tet evacuees.

Last week was one of great uneasiness for Mission economists. The VC attacks on Saigon to a great extent fell across the city's main lifelines of food supply and commercial traffic. There was for a day or so active fighting in the Phu Lam area, where the main road from the Delta enters Cholon, and along the Bien Hoa highway, which channels all traffic from the north and east into the city. The 24-hour curfew imposed for several days in Cholon meant a complete stoppage of all commercial activity in that area and of traffic through it. Last but not least, the nearby fighting also put a stop to the operations of the municipal slaughterhouse nearby.

It is rather remarkable in view of all this that the Saigon population showed few signs of panic in its economic behavior. Households had apparently by and large foreseen emergencies, and in many cases had already lain in all the food they could stock. Therefore, though food prices rose about 25 percent during last week, these increases ceased as soon as the fighting moderated, and prices began to come back down to the beginning of the week.

Traffic from the Delta into Cholon via Phu Lam has now been resumed, with convoys escorted into the city. Traffic from the north and east is being re-routed around the damaged Bien Hoa Bridge via Old Route 1 without major delays. We expect that the city's commercial life will return to normal by next week, if further VC attacks do not occur.

Economic conditions elsewhere in the country were affected only slightly by the fighting in Saigon.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FIFTY-SECOND WEEKLY TELEGRAM, MAY 23, 1968

The last week was noteworthy for a number of items:

On May 18th President Thieu announced the resignation of the Loc cabinet, his decision to reorganize the government, his invitation to Tran Van Huong to serve as Prime Minister and Huong’s acceptance. In an excellent brief speech Thieu paid tribute to the accomplishments of the Loc government, sought to set at rest unfounded rumors which had been circulating about the attitude of the military, the Buddhists, the southern separatists, and threatened discriminations against northerners. He made it clear that he had no intentions of replacing the corps commanders, that he would not tolerate discrimination in any form and called attention to the fact that the Congress, representing the whole people, exercised supervision over the activities and effectiveness of the government. He called on people of all persuasions to extend comprehension and assistance to the new government in the common cause.

Tran Van Huong is now engaged in intensive consultations with a broad range of political figures, clearly hoping to establish as wide a base as possible for his new cabinet. Thieu told me yesterday that he will be meeting again in the afternoon with Huong to go over the cabinet list, that they have planned to talk with Vice President Ky today, and that he hoped to announce the new government by Friday or Saturday at the latest. It is planned to reduce the cabinet from the 17 to 13 or 14 and to set up a smaller group, in the nature of a war cabinet, consisting of Thieu, Ky, the prime minister and two or three others who will meet daily to deal with urgent matters and see that decisions are implemented. Thieu indicated that the most effective of the present ministers would be retained, though not necessarily in the same positions: Lu Y (health), Sieu (transport), Tri (revolutionary development), Vy (defense), Tinh (finance), and possibly others. Huong has been at some pains to make clear the fact that he wants to put together a balanced team in terms of regions and other interest groups.

Reaction to the Huong appointment continues to come in and is generally favorable, although there are some who prefer to reserve their views until the composition of the cabinet is known. Huong has a reputation for personal integrity, honesty, toughness, and a fighter against corruption; he also has a reputation for stubbornness, of which Thieu is aware but which he believes will not prevent their working well together. Thieu told me a week ago that
Huong’s concern was that he be given enough leeway to work to the end of more effective and honest government. Thieu is prepared to do this and said that he had gone through a long list and “the fact is there is no one to appoint prime minister except Huong.”

In addition to the generally favorable comment on Huong’s appointment it was encouraging that one of the leading extremist Buddhist figures, Thich Phap Tri, denied publicly that the An Quang group was opposed to Huong, and in fact expressed satisfaction at the appointment.

Unfortunately, as so often in the past, there has been irresponsible reporting on the appointment of the new cabinet. The reports of a serious crisis or showdown between Thieu and Ky over the Huong appointment appears to be lacking in foundation. While Ky is unhappy over developments, because of Huong’s known independence, I know of no evidence that he will attempt to do anything to obstruct it. In fact it is reported that the conversation Huong had with Ky last Tuesday went very well, and that Huong handled it with tact and skill. The AP story of May 17 which predicted a Thieu-Ky showdown over the appointment of the new cabinet was written by a new correspondent recently arrived in Viet-Nam after some years of service in Latin America who accepted at face value one of the countless rumors always circulating in Saigon.

That Hanoi’s current strategy is an all out effort, militarily and psychologically, to strengthen its hand in negotiations continues to be evident. While as I reported in my last message the enemy’s major attack on Saigon was broken off, he is covering his withdrawal with a series of rocket and mortar attacks on a variety of targets. This has included indiscriminate firing at Saigon in the early morning hours of May 19 and additional mortar and rocket attacks against the capitals of Ba Xuyen, Dinh Tuong, and Binh Thuan provinces early on May 21.

The indiscriminate attacks on civilians in Saigon have had an impact in psychological terms as well as added to the list of dead, wounded, and homeless. Three Vietnamese police and three civilians are known dead, 32 civilians and one American soldier are reported wounded; and some 500 people have had their homes destroyed. The home of Nguyen Luu Vien, deputy prime minister in Ky’s last cabinet, was hit by 122mm rocket just after he had gotten his family awake and downstairs. He and his family suffered scratches but were otherwise unhurt. He dismissed the attack as blind terror designed to impress world opinion as proving that the communists are masters in South Viet-Nam. [Name excised], an advisor to President Thieu, had an experience very similar to Vien’s.

In our fifth joint discussion on problems of negotiations yesterday morning Thieu gave his estimate of Hanoi’s objectives and brought up a subject which is obviously of increasing concern to the GVN, i.e., how long the present situation of a partial bombing halt with no reciprocity can be allowed to go on.
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Thieu said that the VC/NVA is “testing our patience” and are in no hurry to engage in serious talks. They mean to exploit the partial bombing halt for as long as possible in order to increase infiltration and to mount new large scale attacks. He was concerned that the death and destruction which is daily visible in the cities would have a cumulative psychological impact on the people. Statistics of VC/NVA losses (which the enemy can still afford in any case) make little impression on most people, but the destruction of their homes is evident. Their faith in the government strength and capacity to protect them from these attacks will more and more be sapped. Thieu believed that within another month the enemy would probably launch another major attack, and would continue harassment of the cities in order to discredit the GVN and attempt to create an uprising against it.

Thieu felt that the talks so far in Paris have been favorable to our side and that we should use the time to attract international support, but should be careful not to allow our patience to be misread as weakness. He expressed the view that Hanoi attempt to measure our patience and to exploit the US political situation; that they might attempt to await the development of our political campaign to form a judgment as to the desirability of moving toward a settlement or of awaiting installation of a new administration. He added that though this question was of great concern to him, he thought that we could “wait a while, but not too much longer,” before putting a time limit on Hanoi’s delaying tactics at Paris. Do observed that the enemy was clearly “taking advantage” already of the partial cessation.

Thieu, Ky and Do have all commented favorably on the performance of our delegation at Paris, and especially on Ambassador Harriman’s statements.

It is also increasingly apparent that Hanoi’s current strategy of all out effort to strengthen its hand for a political settlement is directed at the countryside as well as the cities. Documentary evidence shows that the enemy is placing new emphasis on destroying the local GVN administrative structures, and on setting up a VC administration in its place. His effort to strengthen his apparent political base in the cities by organizing front groups is being supplemented by a campaign to organize rural “liberation committees” at provincial, district, village, and hamlet levels. This effort, I think, is designed among other things to reinforce the NLF claim to such wide control over the people in the countryside as to justify a major role for it in a coalition government.

The other side of the coin, however, is the evidence disclosed by recent documents and interrogations of some of the senior communist officers who have rallied recently. These have brought out a number of signs of growing communist morale problems in the wake of their heavy losses and defeats during the Tet and May offensives. [Ten words excised] states that Allied air and artillery strikes have caused severe mental tension among communist troops and cadres. Problems of supply and the evident discrepancy between VC propaganda and the reality regarding both ARVN/Allied fighting spirit and the extent of popular support for the VC have also had a depressing effect on
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morale. Another report indicates that most of the people living in VC-controlled areas are war weary and that the VC promises to bring an end to the war this year will have a disastrous effect on morale if this does not occur. A result of this attitude has been an increase in desertions out of fear of combat losses and an overwhelming desire for survival inspired by the recent peace negotiations. Against this background of declining morale a document captured in Binh Duong province prepared by the chief of the political staff of an element subordinate to COSVN emphasizes that the purpose of the peace talks, as the communists see it, is to confirm the defeat of the Allies and a VC victory. It states that nothing can be expected from diplomatic debates unless a major military victory is achieved. Consequently VC personnel must not let themselves be lured by peace illusions but must support peace negotiations by fighting harder to achieve more decisive victories; a significant contrast between the mood at the top and in the lower ranks which speaks for itself.

The National Assembly continues at work. The upper house approved a general mobilization bill on May 18, although in a shorter version than that approved by the lower house on May 10. The upper house leadership is convinced that its version of the bill, leaving considerable discretion to the executive, was necessary if the purposes of general mobilization were to be served, a view shared by a number of lower house members. The Mobilization Directorate began drafting 18-year-olds on May 1 with mobilization of the class born in 1950 expected to continue through June. In fact, this will have the effect of drafting a considerable number of 17-year-olds (those who become 18 between June and December this year). This aspect has not received great attention here and perhaps should not be referred to publicly, but it is an indication of the determination that Thieu has managed to infuse into the GVN Ministry of Defense.

An inconclusive debate was held in the lower house on May 14 on a motion submitted by Ho Huu Tuong (a veteran Trotskyite sometimes considered to be a neutralist) for establishment of a special committee on peace talks. The debate finally ended when enough deputies had left so that the chairman halted proceedings for the lack of a quorum. The majority of the speakers objected to the establishment of the committee and while there was some criticism of the US for having “fallen into a communist trap” by agreeing to go to Paris (characterized as a “communist propaganda center”) other deputies have said that the position of the US is not to sell out Viet-Nam “and called on their colleagues to cease criticizing our friends and allies.” The debate is significant as underlining once more that developments in Paris are being closely followed, that there are some reservations about our intentions in the talks but that most of the Assembly is prepared to give us credit for good intentions.

When it became apparent that talks would begin in Paris I suggested to Thieu that he circumscribe comment within the executive branch of the GVN. He subsequently issued a directive on May 18, making clear that he, the prime minister, and the minister of foreign affairs would be the sole official
spokesmen with authority to issue statements or comments expressing the position or attitude of the GVN regarding the Paris talks. The circular enjoined all other government officials to avoid comment, conjecture, or arguments in which they express their personal views on the talks.

On May 17 the lower house voted to approve a press law which, while supporting the principle of freedom of speech, considerably strengthens the penalties for libel, for disseminating material which promotes regional divisiveness, and material which “upholds communist principles, contentions, or activities, or those of pro-communist neutralism.”

There was a decrease in the tempo of the war last week which applied across the board with the exception of I Corps where the intensity increased. Enemy losses nonetheless continued at a very high rate, at almost a ten to one ratio. The enemy lost 4,765 killed in action compared to 477 friendly losses of which 476 were US, and 19 Australians. Enemy weapons lost also continued at a high rate 1,097, compared to the loss of 86 friendly weapons.

In I Corps activities picked up in the Khe Sanh area, while the 308th NVA division which attacked the week before last against the DMZ in strength suffered such heavy casualties that it was withdrawn into the DMZ area. The pressure around Hue was considerably relieved because of the aggressive actions of the ARVN 1st division together with a Ranger battalion attached to it and our 101st Airborne Division. In withdrawing from the A Shau valley we mined and booby-trapped the areas extensively and established a base for 175mm guns capable of firing into much of the valley.

Pressures are beginning to build up around Danang and it seems probable that the next wave of the enemy's offensive will be concentrated in Quang Nam province and in Kontum province in the central highlands. It also seems quite possible that there will be heavy fighting around Hue in the next several weeks.

Efforts are being made to preempt enemy offensive actions in the Kontum area. There was an interesting action there last week, a good example of cooperation between US and Vietnamese forces. An RF company was attacked by a North Vietnamese battalion. Based on prior planning on information received from a prisoner, General Peers' artillery in the vicinity of the camp had been coordinated with the commander of the RF company. When the attack occurred in the middle of the night, the RF company held off the attackers long enough to get word to the artillery and because of the preplanned fire which had been previously developed, enemy attacks were completely stopped. Only 3 RF soldiers were wounded and 147 enemy bodies and many weapons were found outside the post.

In II Corps the Korean White Horse Division is carrying on a campaign in the hills west of Nha Trang. General Westmoreland reports that the situation in Phan Thiet and Binh Thuan provinces, which had markedly deteriorated, is greatly improved. The province chief has become far more aggressive, [five words excised] have greatly improved and operations against the infrastructure and in the hills against main force units are being carried on. The ARVN
regiments have been extremely aggressive and have achieved excellent results.

In II Corps the Australians had their heaviest contact of the war. They suffered fairly heavy casualties. In two engagements they killed over 100 of the enemy and believe that they killed still more. The 9th US Div and 5th ARVN Div also had successful operations.

In IV Corps there were no major engagements but the Vietnamese troops under the leadership of the new corps commander, Gen. Thang, kept up their aggressive actions.

Sometimes we tend to overlook how much control the enemy already has over the countryside, especially since Tet. Regression in the hamlets has been serious. More than 1.1 million people were lost from the relatively secure A,B,C hamlet categories as a result of the Tet offensive. Our hamlet evaluation survey shows slow, steady recovery, but it will take some months at the present rate to restore the pre-Tet level of population control. If we put to one side the cities and towns with more than 20,000 (40 percent of the population), the enemy control of strictly rural population rises to 28 [sic] percent and then drops to about 45 percent, as contrasted to 62 percent for the population as a whole.

Hence solid gains in the hamlet war are as essential as is attrition of the enemy's main forces. This is why we have been seeking to reshape our pacification effort to emphasize short term high impact programs such as: (1) countering regression; (2) improving local security so that GVN officials will move back to villages and hamlets; (3) getting the best leaders into key positions; (4) exerting pressure on the VC infrastructure; and (5) helping revive the economy on the theory that people who are well off are more likely to support the GVN than the communists. Satisfactory progress is hard to come by, partly because of the inherently slow-moving nature of the pacification process and partly because pacification is a 99.9 percent Vietnamese program which is not yet receiving the dynamic top level GVN direction it merits. I can sympathize with Komer's frustrations.

However, the gradual upward trend in the HES figures, VC infrastructure eliminations, and economic indicators shows that we are slowly regaining momentum. End-April Hamlet Evaluation System reports show further modest gains in recovery of GVN control in the countryside. From post-Tet low and end-Feb of 58.8 percent of population living in relatively secure areas end-April data shows an increase to about 62 percent. There was an April gain of 158,000 people in A, B, and C hamlets, while VC-controlled population declined by about 70,000.

Since we have been giving first emphasis to restoring security so that we can get on with the development aspects of pacification, it's interesting that the April population gain based on the nine HES security factors alone was 368,000 people—more than twice the gain based on all eighteen security and development factors.

GVN operations against the VC infrastructure continued to achieve modest results. Some 1,295 identified enemy organizers and political cadre were
eliminated during April, mostly at hamlet and village level. Our advisor reports indicated 133 were killed, 997 captured and 115 rallied as Chieu Hoi returnees. It is significant that 86 percent are alive and giving intelligence that will lead to further eliminations. This multiplication process can, with the improved Phung Hoang organization, seriously cut into the enemy’s structure.

Damage from the early May attack on Saigon/Cholon has turned out to be heavier than first estimated. Refugees rose to about 104,000 in Saigon and 39,000 in Gia Dinh. Houses destroyed total 10,15,000 in Saigon and 5,200 in Gia Dinh. As full magnitude of problems emerged, Thieu accepted our suggestion that Central Recovery Committee take on the new Saigon/Gia Dinh task.

Thieu also approved the special MACV/ARVN plan, which Gen. Westmoreland developed, for a joint ARVN and US military engineer task force to clear rubble, lay concrete foundations for houses, rebuild some 1,000 destroyed homes, and help people rebuild others in Saigon/Gia Dinh. On Monday, US and ARVN engineers began clearing operations in Saigon districts 6 and 8.

Meanwhile, further progress is being made on resettling Tet evacuees. The number dropped 39,000 to 349,000 as flow of commodities and allowances accelerates. About 47 percent of cement and 41 percent of roofing allowances have been distributed. To help speed up process, Thieu announced at our urging a 25 May deadline for distributing all cash and commodities.

Recovery is proceeding well in Hue. Although there is still much to do, building materials have been distributed to over 5,700 families. Two markets have been re-opened, and a pontoon bridge installed.

The USAID retail price index fell seven percent during the week ending May 20, continuing the decline begun the week before. Prices of rice, fresh protein foods, and vegetables declined, with vegetable prices declining substantially. Prices of processed food such as bread, condensed milk, beer, and *nuoc mam* (fish sauce) were unchanged or somewhat higher. The index is now 10 percent above the level reached on April 29, the last reading before the May offensive began, and 25 percent above January 2, 1968.

During the week, the Joint US-GVN Economic Committee met and discussed a wide range of issues. The U.S. representatives submitted a draft text for an economic policy agreement for 1968, and a letter proposing specific policy measures to be agreed in June, when a semi-annual review of the situation will be held. The June meeting will probably be the first serious confrontation on economic policy with the Huong cabinet. We will be striving for firm tax revenue targets, measures to hold the foreign exchange level in check, a sound policy on civil service wages, and other measures to keep the economy on the track.

Domestic tax collections in April this year were nearly two billion piasters or 35 percent higher than April last year. While this was in part a catching-up after low collection since February and March, it is nevertheless very encouraging. Total collections in the four months through April 1968 are only one percent lower than the same period last year.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FIFTY-THIRD WEEKLY TELEGRAM, MAY 29, 1968 The outstanding development of last week was the formation of his government by the new Prime Minister Tran Van Huong, its presentation to President Thieu on May 25, and the formal transfer of office to the new Cabinet on May 27.

I think that the new Cabinet is both broader and stronger than its predecessor. Huong has admitted that it is not the ideal which he would have wanted and that he had met with difficulties in forming it "which have saddened me and give me concern." For one reason or another, various individuals declined to join the government. Huong's picturesque description of his problems is characteristic of him:

"I decided to go to the market to buy a certain kind of fish or shrimp in order to prepare delicious dishes for my guests. Unfortunately, I could not find this kind of fish or shrimp at the market so I had to improvise to serve them. I cannot vouch that the new dishes are better than the dishes I had intended to serve, but I sincerely hope with the new dishes I do not disappoint and have my guests criticize."

The inclusion of Huong as Prime Minister and Dr. Phan Quang Dan as Minister of State materially broadens the base of the government. The Suu-Dan ticket and the Huong-Truyen ticket finished third and fourth respectively in the presidential elections and accounted between them for about 21 percent of the total vote. This added to the 35 percent for the Thieu-Ky ticket received brings the total representation of the new government to 56 percent of the popular vote. In the effort to further broaden the government base, Huong offered the post of Minister of State to Ha Thuc Ky, whose ticket finished fifth with 7.3 percent of the vote, but Ky declined the offer; it was reported that he had insisted on being appointed Minister of Interior.

Six Ministers from the Loc Cabinet (including five of the best) have been retained by Huong. These are the Ministries of Defense, Finance, Public Works and Communications (which have been combined), Health and Social Welfare (also combined), Agriculture and Minorities. There have been improvements in a number of other posts.

The appointment of Mai Tho Truyen as Minister of State charged with combating corruption should serve to strengthen efforts in this direction. He is a highly respected Buddhist layman, was Huong's Vice Presidential running mate in the 1967 election, and will head the present Inspectorate. Thieu told me that when the new Inspectorate is established by the Assembly, he expects
to appoint Truyen to it and hopes that he will be elected Chairman. Truyen’s presence should help to enlist Buddhist support for the GVN.

Vu Quoc Thuc, Minister of State charged with Economic Planning, is a highly respected economist and scholar. He has been working with David Lilienthal’s group on Post-War Economic Development and will serve as advisor on economic matters to the Prime Minister.

In the important post of Minister of Economy, Au Ngoc Ho should be a considerable improvement over his predecessor, Truong Thai Ton, who has been shifted to the Ministry of Agriculture. He is generally considered by his American counterparts to be able, more aggressive, and more decisive than his predecessor.

The new Minister of Labor, Dam Sy Hien, has had wide experience in labor matters, has participated in many international labor conferences, and made an extensive study trip to the U.S. in 1966–67. He is a principal leader of the CVT and a good friend of its President, Tran Quoc Buu. He should be able to bring this large labor organization into better and stronger relations with the government.

The new Minister for Information, Ton That Thien, has been described as one of the best trained economists and one of the most articulate and intelligent of all Vietnamese in Saigon. He has also been known as a well informed, articulate critic of both the U.S. and GVN; but he is a man of ability, energy, and patriotism, and is certainly not anti-American. He should be a very considerable improvement over his predecessor, Tran Van An, who has been ineffectual in this important post.

Nguyen Van Tho, Minister for Education and Youth (he was Minister for Education in the Ky government), and Le Van Thu, Minister for Justice, should both be considerably stronger than their predecessors in the Loc Cabinet.

General Tran Thien Khiem, Minister for Interior, is a close friend of President Thieu’s and is presently Viet-Nam’s Ambassador to Taiwan. Khiem is a career military officer, former Chief of Staff of the JGS, and former Minister of Defense. He served as Ambassador to the United States in 1964–65, and then in Taiwan from October, 1965 to the present. While there are diverse opinions about him, Thieu feels that he will be more effective than his predecessor, General Linh Quang Vien, whom Thieu has described as “lazy.”

While the important posts of Defense and Interior are held by military men, the Huong Cabinet represents a considerable move toward civilian government. This is true in the first instance because Huong is a stronger man than Loc and will almost certainly prove less responsive to military advice and pressures. More important, it is also because Thieu himself is inevitably becoming more of a civilian leader. His alliance with Huong is a significant move away from the other generals. We have long anticipated and worked for a true civilian-military partnership here, with the power of the civilian partners increasing slowly but steadily. I believe the Huong government represents progress toward that goal. Despite the military’s dissatisfac-
tion with Thieu’s handling of the change in government, they have accepted
the situation with remarkable little public fuss.

While it will, of course, take a little time for the new Cabinet to settle into
its job, I believe it holds promise for performing more effectively than its
predecessor, and with a broader base of popular support.

In his first radio-TV address to the nation last night, Huong outlined some
of the government’s problems and purposes. His approach seemed to be real-
listic, sober, and sensible and one which should appeal to the people. He
called attention to the fact that nationalist ranks are divided, and injustice
and corruption are a source of sorrow to patriots. Therefore, many steps must
be taken in achievement of common goals. The first such step is the restora-
tion of the authority of the nation and the rebirth of people’s confidence in
the nation; “only when the nation is strong can we speak of true peace and
true independence.”

Huong said that during the first period, the government would not propose
grandiose programs which have no hope of being carried out; the goals will be
limited and realistic, and be part of the national policy already set forth by
President Thieu. Emphasis would be placed on the following four goals: (1)
restoration of national authority; (2) elimination of corruption; (3) stabilizing
the lives of the people; and (4) taking initiatives to the search for peace.

Huong declared that war has bred a situation of social disorder and ab-
sence of discipline and he is, therefore, determined to restore the authority of
the nation so that the Constitution will be universally respected and the law
strongly and justly applied.

He described corruption as a major illness. Toward its elimination, the
government will follow three basic principles: (1) high ranking members of
government must set an example for their subordinates; (2) responsibility will
be clearly defined so that perpetrators of corruption can be identified and re-
moved; and (3) punishment will be applied fairly and without regard to rank.

Stabilization of the lives of the people will involve relief and reconstruc-
tion efforts to assist war victims, measures to hold prices down, and to im-
prove distribution of goods and provide livelihood for the poor.

In taking initiatives in the search for peace, the government cannot prom-
ise to “solve the war” conclusively since this involves factors beyond the
scope of the GVN to decide. However, the government is “determined to
take initiatives in seeking a peace in accordance with the wishes of the vast
majority of the people of South Viet-Nam, that is to say a peace in honor and
with guarantee for the future.” Viet-Nam must have “a major role at the
conference table and in talks regarding the Viet-Nam problem”; and the GVN
continues to “advocate direct negotiations between Saigon and Hanoi so that
the people of Viet-Nam can solve their own problems.” Huong appealed to
Vietnamese of good will and responsibility in North Viet-Nam to cease their
war efforts and join in the common search for peace. If the tragic war contin-
ues in which the civilians are always the victims, the attitude of the GVN will
become increasingly clear cut: South Vietnamese are determined to fight to
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the end if the enemy mistakenly believes mortar attacks, destruction of homes, and other such aggressive acts will lead them to victory.

I paid my first call on Huong yesterday and took Ambassador Berger and Calhoun with me. I said that we would work with him and his colleagues in any way he wishes; we had already had experience in working with many of his ministers. Others were new and our senior people would be calling on them promptly. Huong noted that he had a reputation of being a tough nationalist. This he said, with a chuckle, was far from true, but he did not mind people thinking of him in these terms for the communists were trying to make nationalism their monopoly; their propaganda attacks on the GVN as a puppet of the U.S. were designed to destroy the GVN in the eyes of the people. He, therefore, had to be careful in his dealings with the U.S. and in what he said; our relations had to be sensitive and discreet. He might say something which disagreed with the U.S. or in a way which we might not quite like, but we should not be concerned, for basically there was trust and he would do everything to develop this bond.

Huong said he was concerned with Communist propaganda that American aid went to [a] few people who were American "favorites," and only a trickle came down to the great mass. He knew it was not true, but he comes from a small town, was poor himself and knows how this kind of propaganda takes effect. The problem was to insure that no aid would be diverted and this meant a much more honest and effective handling of aid by the Vietnamese government agencies; he would do what he could to make improvements.

"The people expect miracles of me," he said, "but I have no magic wand. I can only do my best."

He said his problem now was to make the government work better than it had. This was not going to be easy. The country and the cities were under heavy attack, the economy was partially disrupted, the refugee load was enormous, and there was uncertainty about the future. But the people had made clear at Tet that they did not support the Communists, and this was the base on which he had to build. I said we know how difficult were the problems and we wanted to get into them as quickly as possible.

Huong asked if American aid would be enough to take care of these problems. I said there would be no difficulty about U.S. aid; the problem was to get prompt decisions from the GVN and then have them carried out. This is where we saw the greatest difficulty.

We did not go very deeply into substance. It was more of a "get acquainted" meeting, but my impressions were favorable. He spoke several times about the poor people and how they looked at things. He is deeply sensitive to communist propaganda themes and the effect they have. He sees the need to take "nationalist" and "sovereignty" factors into account publicly, but is eager to work out practical and discreet arrangements to use our help and advice. He sees problems and knows that administrative effectiveness is the answer. Whether and what he can do about them remains to be seen. His mind is organized and logical, he is a good listener. He talks clearly and pre-
ciscely, dotting his conversation with homely comments, and his manner is
deliberate and unhurried. I was pleased to see that the mountain of files
which always covered Prime Minister Loc's desk had disappeared. We shall
know better in a few weeks what this all adds up to.

The anxiety and the suspicion of U.S. intentions which the Paris talks gen-
erated here earlier have declined as Governor Harriman's strong replies re-
cieve publicity here. Nevertheless, I think that the great majority of the Viet-
namese still regard the talks with more apprehension than hope. Very few ex-
pect the talks are going to produce any results. There remains some resent-
ment of the fact that the North Vietnamese are alone at the conference table
with the U.S. representatives. In Vietnamese eyes, the absence of both their
own representatives and the representatives of the Soviet Union and Commu-
nist China tends to make the Hanoi regime appear fully sovereign while the
GVN seems to be playing a secondary role.

This does not mean that the Vietnamese are not longing for peace and
hoping that an honorable solution can be found. While they are skeptical of
the Paris talks resulting in any settlement, or in a settlement which they can
accept, they are certainly anxious for genuine peace negotiations. Huong's
statement of his government's determination to take the initiative in the
search for peace represents well the attitude of most Vietnamese opinion
leaders.

Reservations and fears about the Paris talks also do not mean that any
significant body of Vietnamese opinion is prepared at this time to oppose the
continuation of the Paris effort. The opening of the Paris talks is generally re-
garded as a fait accompli, and the interest now is on the subjects discussed.
The Vietnamese want to be sure they are represented immediately should the
talks get beyond the subject of what North Viet Nam will do in return for a
cessation of the bombing. There is, moreover, a definite feeling on the part of
all Vietnamese leaders—including President Thieu—that the partial suspen-
sion of the bombing cannot be indefinite. The DRV cannot be permitted to
enjoy a permanent limitation of the bombing and the right to increase its own
pressures in SVN simply by making propaganda charges in Paris.

The Senate version of the General Mobilization bill was quite short and
gave the executive most of the sweeping powers which President Thieu had re-
quested in the GVN draft of the bill. This came as something of a surprise
since the Senate and lower house committees had worked together closely in
framing the more restrictive lower house bill. Some Senators explained that
they feel the Assembly must either produce a complete plan for spelling out all
of the details of the implementation, or give the executive full power to imple-
ment general mobilization as it deems best. The lower house bill fell some-
where between these two poles and was therefore rejected.

The Lower House yesterday reacted to this Senate action by again passing
its own version of the mobilization bill by a vote of 109 to 6, thus overriding
the Senate version and sending to President Thieu the mobilization measure
which I described in my 49th message (Saigon 26229). This bill appears to be
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an adequate legal base for mobilization, allowing the Executive enough power
to take necessary actions. One of the major problems now is to get the Execu-
tive to identify and hold in place those individuals whose skills are essential
to government operations and the continued functioning of the economy. I
made a point of this a number of times in talking with Thieu and also with
Huong yesterday.

The lower house has also completed work on the Press Law. The House
bill is close to the executive draft and contains provisions which would allow
for continuation of de facto censorship and other forms of government con-
trol. The local press has objected strenuously to the bill, threatening to stop
reporting sessions of the lower house and issuing a press corps resolution
denouncing the bill. The Senate has yet to act on the measure. Huong has
made public statements favoring full press freedom, and the Senate may act to
liberalize the bill. The final version of the press law is likely to provide for
some governmental restraints on the press, however.

The Upper House on May 27 got into the question of whether or not a
Senator may under the Constitution accept appointment to the cabinet.
Several Dai Viet senators led an attack on the new Foreign Minister, Senator
Tran Chanh Thanh, charging him with various failures as Chairman of the
Senate Foreign Affairs Committee, and claiming that he has in effect resigned
from the Senate by accepting appointment as a Minister. The real reason for
the attack on Thanh is probably Dai Viet chagrin at not getting the cabinet
post which Ha Thuc Ky wanted. However, the Constitutional question is im-
portant for the future as well as in this instance. The Constitution and the
Upper House Rules appear to be ambiguous, and the not yet formed Supreme
Court may have to ultimately pass judgment on the issue.

In the week ending May 25, there was an increase in military incidents,
but a decrease in intensity. As in the previous week, the greatest activity con-
tinued in Quang Tri Province and in III Corps area in the vicinity of Saigon.
In II Corps the major threat to Kontum Province in the western highlands
continues with two enemy divisions in the area.

For the week ending May 25, both friendly and enemy casualties were
lower than in the preceding week, but the ratio of losses both in men and
weapons remained highly favorable to the allies. The enemy KIA was 2,550
compared to 367 friendly (of which 153 were U.S.), a ratio of nearly 7 to 1.
The allies captured 829 weapons compared to a loss of 46, a ratio of 18 to 1.

The intensity of activity picked up around Saigon at the beginning of this
week. On the night of May 26, a battalion of the 25th Infantry Division,
U.S., was attacked by an estimated enemy battalion west of the Phu Tho race-
track. Action continued all through the next day until contact was lost. Two
hundred eighteen of the enemy were killed against a loss of six friendly. The
pattern of nightly firing by rocket and mortar against Saigon continues. In the
early morning hours of May 28, nine 122mm rockets and five rounds of mor-
tar fire fell in the city. As a result of the firing, five Vietnamese children were
killed, 38 Vietnamese civilians, and four ARVN wounded. Three houses were
destroyed, one building and two generators damaged. It is not so much the amount of damage inflicted, but the fact that this is a continuing pattern which is important.

The importance which the enemy places on these military activities is pointed out by a captured document, dated April 24, which is a directive for "Ideological Guidance Pertaining to the Decision by the U.S. to Limit its Bombing in NVN and to Offer Proposals for Peace Talks." The document was captured by a unit of the U.S. First Infantry Division in Bien Hoa Province east of Saigon on May 5. The directive says in part:

"It is imperative to realize the necessity and objective of our diplomatic struggle, which is intended to bolster the military and political struggle and not to be a substitute for them. Unless a major military victory is achieved nothing can be expected from diplomatic struggles...diplomatic debate should be regarded as a means to confirm the enemy defeat and our victory. It is not meant to bring us to final victory. Consequently, we must never let ourselves be lured by any peace illusions that the diplomatic struggle may create; but instead we must respond to and support our diplomatic struggle by fighting harder in order to achieve more striking and decisive victories."

It seems to me that this document, coupled with the pattern of the enemy military activity and Hanoi's avowed intention to bring about the disintegration of the Saigon government, poses the question of the nature and extent of the bombing cessation. The terror attacks on the cities in the South, which are essentially attacks against the civilian population, are obviously designed to destroy popular morale, to create loss of confidence in the government, and eventually to bring about its downfall. It seems to me, therefore, that there is a strong argument for linking any cessation of bombing in the North to the cessation of terror attacks on the cities of the South and I believe that a failure to link these two factors could seriously impair our position in the type of negotiations on which we have entered where the enemy is apparently determined to maintain maximum military pressure. This aspect of reciprocal de-escalation might be handled by simply declaring privately to Hanoi (at Paris) that continued attacks would call for appropriate retaliation. We could, if desired, make this specific by saying that rocket and ground attacks on Saigon would automatically entail similar retaliatory responses on other North Vietnamese cities.

Stating our position in this manner would not require a specific reply from Hanoi's negotiators; we would simply state our intention and say that it need not interfere with negotiations as long as such attacks were not resumed.

I realize this raises difficult problems but I have pointed out in several messages the risks I believe we run here if such attacks continue: risks to the morale of the civilian population under a pattern of continual fire attacks and thereby to the fabric of the government itself. We already have to care for over a million refugees on top of almost one-half million evacuees from terror assaults on urban areas. Even with our help, the GVN's limited capabilities are strained to the utmost in coping with this burden. We are working on
better plans for urban defense, but at best we can only limit, not wholly prevent, such terror raids or mortar and rocket assaults made for psychological impact. I believe, therefore, that we must also find a way to tie our restraint on bombing of the North to enemy restraint in attacking urban areas in the South.

As you know, we regard sustained local security as the indispensable first stage of pacification. The Regional and Popular forces are the key to local security. Our newly designed Territorial Forces Evaluation System (TFES) for keeping track of about 1,000 Regional Force companies and 4,300 Popular Force platoons shows great potential as a management tool for carrying out our top priority Regional Force/Popular Force upgrading program. Monthly reports from district advisors cover the status and evaluate the performance of each Regional Force/Popular Force unit. The same computer techniques used by HES are employed and the two systems are tied together through the MACV computer.

For example, by using TFES and HES we have highlighted the fact that two-thirds of some 1,800 hamlets which regressed had no assigned Regional Force/Popular Force units. We have now recommended to the GVN that most new Regional Force/Popular Force units being formed should be spread out as Hamlet Security Forces.

TFES reveals many Regional Force/Popular Force shortcomings. Countrywide only 59 percent of authorized Regional Force officers and 69 percent of the Popular Force NCO's (there are no officers) are present for duty. With this shortage of leaders, no wonder Regional Force/Popular Force do not perform better. Each resupply is slow or undependable for 55 percent of Regional Force units and 61 percent of Popular Force units. Sixty-one percent of Popular Force units have no operational radio. Now that we can quantify and keep track of these deficiencies better, we can tackle them better.

In continuing to examine post-Tet regression in the countryside, we are closely monitoring how many GVN hamlet administrations are effectively functioning. Pre-Tet we estimated roughly that GVN hamlet officials were staying day and night and carrying out their duties in some 7,761 hamlets. A rapid post-Tet survey showed that at end-March 4,471 hamlets still had functioning GVN administrations, a decline of 38 percent. Our resurvey at end-April shows that the number has risen to 5,324, well up from post-Tet low but will too low for comfort. We are pushing on this but forecast slow improvement lagging behind restoration of security.

Since the quickest way of getting improvements in pacification or almost any other GVN activity is to replace ineffective and/or corrupt officials, we are continuing to focus on province and district chiefs. Replacements for 13 province chiefs removed by Thieu at our urging over past several months are in 12 cases proving to be distinct improvements over former incumbents. Thieu has our list of eight province chiefs who still need to be replaced. Bob Komer has also turned over a similar list of 50 poor district chiefs to the Min-

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istry of Interior. With Tran Van Huong coming in with an anti-corruption platform, we hope to see faster action.

New evacuees in Saigon peaked at 107,000 as result of fires following the mortar/rocket attack on the city the night 18–19 May. The number has since dropped to 105,000, but fear of further attacks is keeping many from returning to homes in the outskirts. Added to Saigon evacuee burden are 34,000 in surrounding Gia Dinh. A more accurate count of damaged houses shows 11,800 destroyed in Saigon as a result of the May attacks. In Gia Dinh 6,000 more were destroyed or seriously damaged.

On the plus side, a combined GVN/US Operation for assisting Saigon, Gia Dinh recovery is well underway. ARVN and US engineer units moved into Districts 6 and 8 on 20 May and began clearing rubble, restoring utilities, and opening streets. We also plan to erect 340 pre-fab building housing 1,700 families in Districts 6 and 8. This interest shown in the people by the armed forces is having a positive psychological effect. District officials, who are closely tied in with all operations, are highly cooperative and appreciative of our help.

Retail prices were substantially unchanged during the week and remain some 10 percent above their level just before the second round of attacks on Saigon. Some vegetable prices rose because military activity around Saigon slowed shipments from north and east. However, other food prices fell as deliveries from the Delta of some items increased. Several small and medium size textile mills, along with some yarn and cloth stocks, were reported to have been damaged or destroyed by the recent military activity in and around Saigon and as a result white calico prices rose sharply.

A joint State/Treasury team headed by Deputy Assistant Secretary Barnett met with Governor Hanh of the Vietnamese National Bank on May 21 to discuss ways [of] neutralizing U.S. security expenditures. Specifically, the team proposed that Vietnam commit itself to maintain present investments in American certificates of deposit and in addition purchase out of its foreign exchange reserves $50 to $75 million of a new special 4½ year U.S. Treasury Security. Governor Hanh showed general sympathy and understanding of the U.S. problem, but said that because of its political implications it should also be raised on a political level. I raised this subject with President Thieu on May 25 and will raise it again this week after Thieu has had a chance to brief himself on it.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FIFTY-FOURTH WEEKLY TELEGRAM, JUNE 8, 1968  In the period since my last message, Huong has taken hold as Prime Minister with encouraging energy and has given evidence of determination to move ahead actively and on a broad front. The period has also been marked by continuing military pressure in I Corps and in III Corps where it has principally been directed toward harassment of the civilian population of Saigon. But pressure has also been exerted in other parts of III Corps, notably in Tay Ninh Province and city. Here as in Saigon as well, the VC attacks have increased the population’s hatred for the VC and the popular desire for arms with which to protect themselves. But they have also created a feeling of confusion and fear. The confusion arises from the fact that the people have been told that the enemy has suffered a severe defeat in the recent offensive, which is certainly correct in the military sense, but they also see that the VC have been able to penetrate into Saigon and to continue harassing operations.

Huong appears to have taken a firm grip on his cabinet and to have established his own authority. He also is handling himself with considerable political skill; he seems to be wooing the Ky camp with a good deal of finesse.

In his first two Cabinet meetings, he: (a) put heavy stress on the attack on corruption, instructed every minister to report all instances of corruption, even if it should involve a relative; (b) instructed Generals Khiem and Vy to come up with proposals to improve the Saigon area civil defense program with which he expressed dissatisfaction; (c) ordered all ministers to study the effects of general mobilization on their ministries and give him their recommendations; and (d) instructed each minister to prepare a work program for the next three months with the purpose of using these programs to inform the people on the activities of the government and attract Assembly support.

Huong has also taken several highly visible measures which should help in winning support for his government: (a) an important one has been the lifting of censorship which has resulted in favorable news stories both here and abroad; (b) he paid a well publicized call on the speaker of the lower house and indicated that he wanted to promote mutual understanding and cooperation between the legislature and executive; (c) on May 31, he called on General Loan at the hospital, bearing flowers and a gift, the press giving full coverage to the visit; and (d) on June 1, he paid a surprise visit to the Petrus Ky refugee resettlement center to check first hand on conditions there. Later he
held an informal reception for the press responding to questions freely in a lively session.

Other government actions have been favorably received and have given the impression that the government is moving ahead actively on the problems it faces. General Nguyen Van Minh (Commander of the 21st ARVN Division) was named Commander of the Capital Military District, a move we also have long favored. Our own command arrangements in Saigon will be brought into close coordination with Minh's new command in order to assure more effective defense of the city.

The new Council for Administrative Reform met for the first time June 4, and the new National Planning Council held its first session June 5. Thieu will chair both Councils with Deputy Chairmen to carry on the day-to-day work. These bodies have been set up to improve government organization and planning by giving these problems high level authority.

Huong's approach to Ky and his supporters was reinforced by Thieu's announcement June 3 that Generals Loan and Thang have both added a star, Loan becoming Major General, and Thang Lieutenant General.

Thieu is also apparently moving to rally wider support for the government. He has reportedly discussed with Tran Van Don the formation of a new super-front, which would include the Thieu backed Free Democratic Force as well as Don's National Salvation Front, and a number of other political groups. Don is planning a preliminary meeting with representatives of these groups June 9.

Reaction to the Huong government continues to be generally favorable. Perhaps the most surprising source of support is the An Quang Buddhist faction. A number of the leading bonzes have made public or private comments indicating that they are pleased by the formation of the Huong government. Even Tri Quang, who may be released in the near future, is reported to support Huong. Given Huong's previous difficulties with the Buddhist leadership, this support is most welcome.

The applause, however, is not unanimous. As I reported last week, the Revolutionary Dai Viets are unhappy because their leader did not get the Cabinet spot he wanted. Vice President Ky and his supporters are not happy with recent developments. Ky has stated both to me and Ambassador Berger that the switch from Loc to Huong does not mean stronger government and greater unity. I am hopeful, however, that the establishment of the War Cabinet, which Thieu told me June 5 he proposed to do at the Cabinet meeting next week, will bring Ky into active participation in the government decision making process. If Huong follows through on his skillful efforts to establish good relations with Ky, and if Thieu will make more of an effort to talk things over with Ky, which I again urged him to do yesterday, I think the problem of the Thieu/Ky relationship need not be too troublesome. I believe it is a fact that Ky's public image has been considerably diminished by some of his recent actions. His intemperate and ill-considered statements, his propensity to take up something such as civil defense actively and enthusiastically and then
lose interest and drop it, and his rather obvious sulking have contributed to
this while at the same time Thieu’s stature has been rather steadily enhanced
not only in Saigon but in the provinces as well.

While Huong still seems to be enjoying something of a honeymoon with
nearly all political factions, two of his ministers have been come under fire.
Significantly both attacks center around the very sensitive matter of political
settlement with the Communists. Assembly criticism of Foreign Minister
Thanh, which I reported last week, has continued though in a somewhat lower
key. Phan Quang Dan’s remarks as carried in the U.S. press have resulted in
heavy criticism of him. Reports stating that Dan favors immediate GVN-
NLF talks and an ultimate coalition government have aroused much indigna-
tion here. The Foreign Ministry has issued a communiqué specifically reject-
ing Dan’s reported views and pointing out ministers must accept government
policy on this subject. Unless Dan can defend himself very skillfully upon his
return, Huong may be under heavy pressure to drop him from the Cabinet.

The attack on Saigon, now entering its second month, appears to have a
twofold objective: (a) to undermine and break down the morale of the civil-
ian population to weaken the fabric of government and eventually to destroy
it; and (b) to impress the U.S. and world opinion that the enemy is winning
the war and that Saigon is under siege and about to fall to communist forces.

Enemy tactics are twofold: (a) random shelling of the population with
rockets and mortars; and (b) guerrilla warfare adapted to city streets. The
enemy has poured more than 250 rounds of rocket and mortar fire into Saigon
since May 5 (this does not include Gia Dinh and Tan Son Nhut Air Base).
On June 4, a record forty rounds hit the city. On June 6, sixteen rounds
struck the city killing twenty-five people and destroying twenty-two houses.

The use of guerrilla warfare in city streets began about May 25. A VC
group infiltrated into Gia Dinh city and split into cell size units which at-
tacked ARVN and police personnel along a number of streets. On May 27,
similar actions took place in Saigon’s Fifth and Sixth precincts. Prisoner in-
terrogation and other intelligence indicates that the enemy aims to penetrate
Saigon’s First Precinct where, in a concentrated area, they can strike at the
Palace, the American Embassy, GVN ministries, vital GVN public commu-
ication installations, and the naval base. The enemy’s current tactic is to ro-
tate his forces, to engage in the city for a week, and then pull out while anoth-
er group moves into keep up the pressure. Another objective evidently has
been to provoke ARVN and U.S. forces to employ massive fire power, thus
destroying more of the city and creating additional political, social and
psychological problems for the government.

Since May 5, the enemy has killed 189 civilians and wounded 614 in
Saigon and Gia Dinh. In Saigon 15,500 homes have been destroyed and
about 115,000 new evacuees created; in Gia Dinh another 30,000 evacuees
have resulted from enemy action. Considering this toll, the continued high
morale of the GVN and its people is a tribute to their courage and determina-
tion. I fear, however, that the sustained uncertainty which enemy action of
this nature is bound to create is likely to have eventually a serious effect on morale.

You are aware, I know, of the malfunctioning of a U.S. helicopter rocket which was responsible for the death of six senior GVN officials and the wounding of two others. I have delivered your letters of condolences and regrets to President Thieu and Vice President Ky. This morning, Thieu expressed his great appreciation for this gesture of sympathy and friendship. Ky is in Nha Trang and I shall be unable to see him until the first of next week.

General Abrams, in the meantime, has taken the most stringent measures to avoid recurrence of an accident of this kind. Action by artillery, bombing, or gunship within city areas will be taken only on his authorization. He has also undertaken a study to devise means for better combatting the infiltration and harassment which the enemy is presently employing. He has also closely coordinated our command arrangements for Saigon under General Weyand, II Field Force Commander, and General Hay, deputy to General Weyand; and as I have mentioned these will be brought into close coordination with General Minh's new command of the Capital Military District.

Most Vietnamese continue to view the Paris talks with considerable apprehension though the continued firmness of the US position has been reassuring. Also, as I reported previously, they remain extremely skeptical that any acceptable settlement can come out of the Paris meetings. Perhaps more important, many are now growing impatient. Enemy military pressure on Saigon is widely seen as an effort to force the US to make concessions in Paris; and Thieu several times has asked me how much longer we can afford to exercise restraint while the enemy continues to take advantage of it. Specifically, the new information minister Ton That Thien urged that for every mortar or rocket dropped on Saigon, a bomb should be dropped on Hanoi.

_Cong Luan_ [newspaper] on June 2 typified this attitude. "So many innocent Vietnamese are killed every day. Mr. Harriman probably knows it, and at President Johnson's ranch, General Westmoreland did call the attention of American public opinion to the ever-increasing infiltration of communist personnel and equipment into South Viet-Nam. If the US really wants to achieve peace without being deceived by the communists, she should stop playing the game as soon as possible. The game is no fun at all, since it costs too much blood of innocent Vietnamese, who up to now have showed friendliness toward the Americans whom they have believed able to protect them against communist terrorism."

The new Huong cabinet—and Huong himself—is being assessed in the light of possible changes in the GVN position toward a peace settlement. Most editorial comment is favorable, asserting confidence in the firmness of Huong's position.

Huong addressed himself to the question of peace in his radio/TV address May 28. He called for a peace with honor, and with guarantees for the future. The GVN will take the initiative in the search for peace, he said; that initia-
tive will take the form of a major role for the GVN at the conference table and in talks regarding the Viet-Nam problem. In his reception for the press June 1, Huong reportedly said that he is not yet acquainted with the role entrusted to Bui Diem and the GVN liaison mission in Paris, but that he will look into it and, if the presence of the delegation in Paris brings no advantage, he will recall it to Viet-Nam.

Although the Alliance of National Democratic and Peace Forces has caused much comment among local politicians and the vernacular press since its formation in April, it is my impression that it has not so far had any sufficient appeal for the people of his country. Some students and intellectuals have been taken in, but the great majority view it for what it is, a tool of Hanoi. Most recently, [20 words excised] they have both told us that the Alliance has made no inroads among their students and teachers.

Thieu has expressed the opinion that the Alliance has two primary objectives: (a) to generate world wide support for the idea of a coalition government and offer a means to accomplish it and (b) to persuade leftist Vietnamese that there is a third alternative to the GVN and the NLF.

Our political reporters in I Corps note evidence of a shift of power from Vice President Ky to President Thieu. They are hearing criticisms of Ky's speeches from their contacts. More important, the local CVT labor union branches and the VNQDD chapters in I Corps appear to be leaning toward Thieu. Here in Saigon I think there is a trend of increasing support for Thieu and away from Ky in many groups, particularly since the formation of the Huong Cabinet. Evidently, it is being reflected in the provinces as well.

In II Corps the economic situation is reportedly close to what it was before Tet. However, political attitudes remain polarized with the reaction against the communists generated by the Tet attacks still strong. Our reporters find more willingness to cooperate with the government against the enemy and also a new receptiveness to the ideas that the Vietnamese must bear the major burden in this war. Along with these attitudes goes a strong aversion to accepting an American-imposed solution to the struggle, particularly if it should involve any form of coalition government.

President Thieu has sent the general mobilization bill back to the Assembly with a request for changes. In particular, Thieu wants the bill to allow for the drafting of 17-year-olds if necessary (the drafting of 18-year-olds will be completed this month); raise the maximum draft age to 43; and allow for deferments of newly recruited police and RD cadre over the age of 33. The Assembly must now meet in joint session to accept or reject the President's amendments to the bill.

Aside from the attacks on Saigon, to which I have referred, the enemy intention to maintain pressure wherever and whenever possible continues. As Thieu had forecast long ago, his [the enemy] strategy is aimed at affecting the course of negotiations, attempting to give an impression of success and offensive momentum. He is also attempting to inflict the maximum number of casualties on U.S. forces in the hope of weakening our resolve. While the
number of enemy attacks on RVNAF forces during the last month remained constant, attacks by fire and ground attacks against US/FW forces have doubled. In addition, the enemy is continuing to reinforce and build up his units through the heaviest infiltration he has yet attempted. Although, as I mentioned in my last week's message, the enemy continues to take extremely heavy casualties, is recruiting progressively younger age groups, and sending men into combat with inadequate training, he gives every evidence of being willing to take these heavy losses in pursuit of his political objectives. But it is also evident that the is having to provide more and more combat forces in the South and it seems to me the question can well be posed how much longer he can keep up these extremely heavy losses. In the month of May alone, 26,000 of the enemy were killed. Not only have the Allied forces inflicted heavy losses in personnel on the enemy, they have also captured large numbers of weapons and uncovered significant caches of both weapons and ammunition.

Our initial contacts with the new government encourage us to believe that it will push pacification harder than its predecessor. Thieu himself is taking an active interest in it. Moreover, Komer found Prime Minister Huong most interested, and claiming that his appreciation of the importance of the RD Ministry was evidenced by his retaining the portfolio himself.

The Prime Minister stated that his two guiding principles would be first to protect the people and thereby gain their confidence; and then to involve them in such programs as health and education. Huong also agreed on the importance of increasing the peasant’s income—primarily through increased agricultural production and price policies that benefit the farmer over the consumer. He said that, since he was born to a poor family and had worked as a “coolie,” he understood what the people wanted.

Komer also met with General Khiem, new Minister of Interior, to stress the importance of moving ahead faster than his predecessor in attacking the VC infrastructure. Thieu has already indicated his full support, and is awaiting the necessary decrees from the Minister of Interior. Khiem appears eager to press this effort and requested close liaison with the US mission. As I mentioned in my fifty-second message, we see the enemy as stepping up his efforts to organize and control the countryside as well as harass the cities in order to strengthen his negotiating hand. Thus our counter-effort to destroy the VC political infrastructure acquires even greater importance than before. We will keep after it.

The continuing attacks on Saigon/Gia Dinh are adding to recovery burdens and slowing down recovery operations. Our joint ARVN/MACV operation to clear and help rebuild Districts 6 and 8 in Saigon made some progress as rubble clearing reached 60 percent completion. The first prefab houses were erected in District 8 (not bothered so much by recent fighting), but poor security generally inhibited work in District 6 and in Gia Dinh at the very time when some additional destruction was taking place. Overall there was a net loss during the week as more houses were destroyed than were rebuilt.
Meanwhile, however, we are still moving ahead to resettle the Tet evacuees. Their number dropped another 37,000 last week to 286,000—31,000 of which still remain in Saigon. Throughout most of SVN, recovery moved ahead at good speed as nearly 60,000 family building allowances were paid [out] in piasters so far. Some 64,000 families have now received cement and roofing allotted for reconstruction. Since most of the remaining families not yet helped live outside the cities and province capitals, the sheer logistic burden of delivering thousands of tons and cement is taking time to overcome. We have gotten the GVN to allow payment of extra piasters instead of cement and roofing in such remote districts, which will be a big help in finishing off Tet recovery programs; besides rural families normally use wood and thatch.

This past week saw few significant new developments in the economic situation. Retail prices were mixed. Rice prices eased slightly, but most food items rose as fighting around Saigon slowed deliveries from the Delta and the area east of Saigon.

The Ministry of Commerce has announced the implementation of the Brussels Tariff Nomenclature (BTN) for tax classification purpose, effective June 1. This move should serve to raise tax collections by several billions of piasters annually and thereby contribute to economic stabilization. Meanwhile, the Government's tax surcharge bill, which raises most domestic tax rates by 20 percent, is awaiting upper house action after lower house passage.

Mission officers held discussions during the week with GVN officials concerning means of returning the GVN foreign exchange reserve to the agreed $300 million level. It is currently around $360 million. We have proposed a special rice purchase fund of $50 million and prepayment of some outstanding DLF loans. If these are agreed, we will pass the June 30 date at or very close to $300 million.
LV

FOR THE PRESIDENT FROM BUNKER

HEREWITH MY FIFTY-FIFTH WEEKLY TELEGRAM, JUNE 13, 1968 Two im-
portant factors seem to stand out with greater clarity in the past week. The
first is the enemy's obvious intention by constant military pressure on Saigon
to undermine the morale of the populace and to break the will of the GVN
and the U.S. The second is the new relationship emerging between Thieu and
the other generals and an attendant increasing civilianization of the Viet-
namese government.

By June 9, the organized attack on Saigon/Cholon had ended. The city
nevertheless continued to be attacked nightly by rockets and all intelligence
indicates that the enemy intends to resume infiltration of small groups into
the city to repeat and maintain the kind of urban guerrilla tactics I described
in my last message.

Saigon has been more or less under continuous military pressure for
thirty-eight days; more than 316 rockets and mortars have struck the city
since May 4, resulting in the death of 111 civilians and the wounding of more
than 462 others. In the early morning of June 11, twenty-nine rockets fell on
the city killing nineteen persons and wounding ninety-nine.

Intelligence indicates that the enemy hopes again to infiltrate his troops
into the heart of the city to strike at such prime political objectives as In-
dependence Palace, Government ministries, and the U.S. Embassy. Enemy
rockets have already fallen close to the Palace and the U.S. Embassy; there
have also been a number of hits or near misses on homes of important Viet-
namese and American officials. If this bombardment keeps up, it will be only
a matter of time before some of these are hit. Captured documents, interroga-
tion, and other intelligence makes it clear that the enemy means to continue
this pressure for several months, then launch a major new assault on the city.

Reaction here is growing in intensity. Vietnamese leaders and the people
have a natural desire to strike back. A suggestion that VNAF bomb North
Viet-Nam in retaliation for the rocketing of Saigon was greeted by applause in
the lower house Tuesday. The upper house has passed a strong resolution
warning that the communists are taking advantage of our peace efforts to in-
crease their aggression; the leading Catholic Senator, Nguyen Gia Hien, said,
“Mr. Harriman counsels patience, but I would like to say that the people of
Viet-Nam can no longer be patient, and I ask the United States to immediate-
ly terminate the peace talks.” Vice President Ky told me on June 11 that he
thinks the time has come for some kind of retaliation, that we must demon-
strate to Hanoi that we are not negotiating from weakness.

So far the government and the people generally have stood up well under the pressure of these attacks and show every evidence of determination to resist them, but at the end of the fifth week, there are signs of anxiety and fear and a growing volume of expressions of resentment. At present, the resentment is being directed against the communists. But if the attacks on Saigon continue while we maintain a partial suspension of our bombing, I think it will not be long before it begins to be directed also against the government and against us. I venture to say that there will be a mounting demand in the Legislative and Executive branches, in the press, and in many organizations calling on us to resume full bombing, this time to include Hanoi as retaliation.

I noted in Saigon 29565 that Thieu has moved to strengthen the government and the defenses of the city. The new Commander of the Capital Military District, General Minh, is widely known as a very capable officer; Ky told me he was pleased with the appointment and considers Minh the best Division Commander in ARVN. Minh will control all of the Vietnamese Saigon defense forces and coordinate them very closely with our forces under General Hay. Minh and Hay have set up joint headquarters within Saigon. General Abrams is actively directing the development of both more intensive and extensive defense plans for the city and surrounding territory.

Thieu has also named a new Director-General of National Police, Colonel Tran Van Hai, the very capable former Ranger commander, who has a reputation for honesty and integrity. He has also named a new Saigon Police Chief, Tran Van Sat, and a new Mayor, Colonel Do Kien Nhieu. Colonel Nhieu has most recently served as Coordinator of the Central Recovery Committee where he has turned in an excellent performance.

These appointments should help to strengthen the administration and the defense of the city. However, I must say that I believe that the attacks on Saigon, particularly the indiscriminate rocketing of the city, will require more than this. It is an easy, cheap, and profitable tactic for the enemy so long as he has no fear of retaliation. I believe that only we can provide that salutary fear of retaliation.

Once he became President, Thieu had to choose between one of two roles. Either he could act as representative and leader of a small group of generals, thus striving to perpetuate military control of the government, or he could fill the position created by the Constitution, thus try to become the leader of all the people and the champion of a meaningful division of power between the civilians and military. Thieu is still in the process of becoming a constitutional President, but I think it is now clear that he has chosen that role.

The establishment of the Huong government was the first unambiguous sign of Thieu's intention to establish himself as a full constitutional President. It was clear from the outset that the Huong government was not sanctioned in advance by the Generals and would not be controlled by them. Huong and several members of his cabinet have long been known for their opposition to military government. Now Thieu has replaced General Loan as Director of
the National Police. Thieu acted when Loan, long the "bête noire" of civilian politicians and much of the civilian population as well, was hospitalized, and preceded the action by giving Loan another star. Nevertheless, his removal is a long step toward establishing Thieu's constitutional authority. Loan might well have resisted Huong's authority, but his successor, Hai, is expected to accept willingly direction from the Prime Minister. The replacement of Mayor Van Van Cua and the officers who were killed in the tragic accidental rocketing of the Saigon Command Post (which I reported last week), all friends of Vice President Ky, is widely regarded as signifying a sharp decline in Ky's power. There are a number of indications that various political groups now believe that Thieu is clearly in the ascendency and, as a result, they are moving toward him.

Ky himself is very much aware of these events and the trend of power. He has suffered, not always in silence, the downgrading of his power for several months. I think that, like Thieu, he is faced with a choice between conflicting roles. He could allow himself to be cast as the leader of military opposition to civilian government. Alternately, he can seek to play his constitutional role, and perhaps something more, if he supports the Constitution, the President, and the move toward civilian government. His choice is perhaps more difficult than Thieu's in view of his former position as Prime Minister and the fact that the Constitution provides few significant functions for the Vice President. Nevertheless, I am encouraged by my experience with him to believe that he too is taking the constitutional role.

When I saw Ky on June 11, I found him in a relaxed mood. In discussing Thieu's plans for the formation of a small War Cabinet with Ky, he told me that he had himself helped to create the constitutional government and he does not intend to do anything to destroy it; he added, "I am a counter-coup specialist." When younger officers some time ago had come to him suggesting action against the government, Ky said he told them flatly he would have nothing to do with such schemes, to go back and fight the war. He commented that he had told me months ago that if he decided to do anything against the government, he would inform me first. I think perhaps my advice to him at that time was important in making him realize that coups in any form are out of the question.

Thieu has told me that he intends to set up the War Cabinet soon and this should involve Ky in the decision-making processes of government in a way that will restore at least a part of his self-esteem. He said that he is not so much concerned with what he does in the government as with the appearance of unity; that enemy attacks on Saigon would not destroy the government, only the lack of unity in the government and among the people could do this. I think it is important that Thieu should define a constructive constitutional role for Ky, and I have continually urged him to do this. In the meantime we have heard that Ky has resigned from his duties as the organizer of civil defense, which Thieu had requested him to take on some weeks ago. After an initial burst of speed, he had done little about this new responsibility and it
seems to be another example of his failure to follow through on duties even when they are given to him. All this suggests that Ky will play a passive role for the present.

In this connection, I should also mention the resignation of General Khang. Although he presented his resignation to Thieu as a token of responsibility for the accidental rocketing of the Saigon Command Post last week, I think it may also represent a protest against curtailing of military influence, including his own, in the government. He was not especially happy with the formation of the Huong government, although he indicated his support of it; recently he told Ambassador Berger that he thinks Viet-Nam is not yet ready for a democratic system.

It is not yet clear what Thieu means to do about Khang’s proffered resignation. The delay in responding suggests that he may accept it though he indicated otherwise when talking to me. Part of the problem may be that Huong would like to see Khang go. He is reported to have sent word to Thieu to “take Khang at his word.” When I talked to Huong on June 11, I mentioned General Khang as one of those whose talents should be used. He made no response about Khang though he praised General Thang.

As always, we have been stressing the importance of unity to our Vietnamese friends. In my latest talks with Ky and the Prime Minister, I tried to impress them again with the need for unity among the three top leaders. Ky reacted quite well, as I have noted above. Although Huong gave no specific assurances of working more closely with Ky, and strongly criticized some of Ky’s corrupt associates, I believe he also sees the need for a unified effort at the top.

It is apparent Huong is meaning to push very hard on the matter of corruption. This has led him to urge Thieu to clean out some of the power centers which have been connected with Ky, and there is the danger that he may get into a conflict with Ky and other military leaders. He said he had recommended to Thieu that he deal vigorously with the changes needed to rid the government of these corrupt individuals, but Thieu was inclined to move cautiously. Huong said he had told Thieu that half measures will not do if corruption is to be rooted out. He said that General Vy’s retention as Defense Minister had been against his advice and he feared Vy would be a problem. I will be watching this closely—and I am sure Thieu will also—and I think we can curb Huong a little if it seems that he is going too far too fast. I must say that I think his enthusiasm for cleaning up corruption could have a tonic effect on both the government and popular attitudes toward it, so that I am not anxious to ask him to go slow unless this becomes clearly advisable to maintain political stability here.

Thieu has also made another potentially important move toward greater national unity. He has asked Tran Van Don to put together an umbrella political organization that would embrace Don’s National Salvation Front and Nguyen Van Huong’s Free Democratic Force as well as other organizations. A meeting of the new organization was held Sunday and a Joint Committee
formed, which issued a statement setting forth several common goals, particularly the unification of nationalist ranks. Don and his Joint Committee met with Thieu yesterday to discuss further plans.

In addition to Don’s Salvation Front and Nguyen Van Huong’s Force, the principal components of the new organization are the CVT (the labor organization), the Luong Trong Tuong faction of the Hoa Hao, the Hoa Hao–CVT alliance known as the Farmer Worker Association, Dr. Tai’s People’s Anti-Communist Front (a body based on support in the Saigon City Council, of which Tai is chairman), Tran Van An’s supporters, Don’s veterans group, the Vu Hong Khanh faction of the VNQDD, one Cao Dai faction, and the tiny Socialist Party. Missing apparently are some of the leading Catholic organizations, particularly the Greater Solidarity Force, and both major Buddhist factions, although Don told us he has an indirect blessing from Archbishop Binh.

It may be that Thieu will have some difficulty in getting Nguyen Van Huong and Don to cooperate; Don cherishes a grudge against Thieu, dislikes Huong, and has his own ambitions while Huong clearly does not want to play second fiddle to Don. But I am encouraged that Thieu has got this far in creating a unified nationalist organization which includes both Ky’s and his own backers. We will do what we can to help it grow and succeed.

With the nightly indiscriminate rocket attacks on Saigon, the past month has not been an easy one for members of this Mission. The city and its inhabitants have been understandably under a good deal of tension. I want to take this occasion to pay tribute to the members of this Mission who have withstood the ordeal posed by these constant attacks with calmness and courage and have performed their daily tasks conscientiously and effectively in the best traditions of the service.

Assembly Developments: Assembly committees have completed their study of President Thieu’s proposed amendments to the General Mobilization bill (which I reported last week), and a joint session is scheduled to consider the amendments Friday. Those provisions which in effect permit the drafting of 17 year olds, the raising of the maximum draft age to 43, and the deferment of newly recruited RD cadre and police over age 33 have been endorsed by the committees. We anticipate that the full Assembly will follow the committees’ recommendations.

The lower house took cognizance of Minister Phan Quang Dan’s reported remarks in the U.S. recommending talks with the NLF. Dan was criticized very strongly, with one deputy referring to his statements as a “crime against the nation.”

Members of both Houses voiced on the floor the thought that if the bombardment of Saigon continues, the Paris talks should be halted. The upper house, meeting just after the June 11 barrage, adopted a strong communiqué denouncing the attacks, warning that the good will of the RVN and its allies is being abused, and calling on the government to take all necessary steps to prevent further attacks and “warn” North Viet-Nam.
On June 11, the lower house completed its consideration of the Political Party law. The House bill sets fairly easy conditions for an organization to obtain legal recognition as a party. Probably none of the existing parties will have difficulty in meeting the requirements. These provisions include ten provincial committees with 500 party members in each chapter, or five provincial committees with 500 members each plus 10 members of the National Assembly. A section on “political opposition” would regularize the opposition and permit the naming of an official opposition leader. The bill now goes to the upper house.

Foreign Minister Tran Chanh Thanh on June 6 gave an interview to Viet-Nam Press in which he set forth the new government’s views on peace talks. He did not deviate from the government’s previously stated position in any important particular. Speaking of Vietnamese participation in the negotiations, he said, “When genuine peace talks take place with the Republic of Viet-Nam and the North Communist regime as two essential participants, I will try to persuade our Allies to accept bilateral negotiated procedures between North and South Viet-Nam.” Thanh also specifically rejected any recognition of the NLF and said the government would not accept a coalition government in any form. Thanh explained the need for the Vietnamese delegation in Paris and said that the delegation would be reinforced or reduced in accordance with the development of the talks.

Saigon is the enemy’s main target now, although he is also building pressure in I Corps again and poses a continuing but reduced threat in the highlands around Kontum. In Saigon the enemy is applying lessons learned in the Tet attacks: that frontal attacks are costly and generally unsuccessful, but small numbers of troops, once entrenched inside a city, are difficult to dislodge and can cause widespread destruction of property. The enemy is therefore placing main force units around the periphery of the city which can be used as springboards to rotate small unit probes into the capital.

The attack on Saigon is evidently designed to exert prolonged pressure. Infiltration units destined for the Saigon area have top priority, and we estimate that 18 to 20 thousand infiltrators have Saigon as their goal over the next three months. (This figure represents a significant portion of the total infiltration effort.) We know that one or more battalions have moved up from IV Corps, and the enemy may redeploy one or two regiments from II Corps to further strengthen the threat to the capital. While he has taken very heavy losses in his continued assault against the city, it appears that current attrition of his forces is not going to significantly reduce the threat to Saigon.

In I Corps, we have evidence of a newly infiltrated North Vietnamese regiment near Khe Sanh. With six to nine combat effective battalions in this area, the enemy probably intends to increase the intensity of his action there.

Friendly operations and B-52 strikes evidently broke up the anticipated major ground offensive in Kontum province of II Corps. The enemy may have lost the capability to coordinate several simultaneous large scale attacks there. The situation seems to have improved in IV Corps, thanks in part to
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General Thang's vigorous action. Enemy action there is largely confined to harassment of allied forces and urban areas by means of sporadic attacks by fire and interdiction of roads and canals.

Our repeated emphasis on the RF/PF as the crucial element in improved local security, the key to meaningful pacification progress, is gradually taking hold with the GVN. Almost all of the 1,053 RF companies and 4,561 PF platoons allocated for FY 1968 have been formed; most are fairly close to authorized strength. New issues of M-16 rifles to ARVN maneuver battalions are freeing automatic M-2 carbines and Browning automatic rifles to put RF/PF back on a fire-power par with the VC/NVA units they face. Starting in August, RF/PF units will begin receiving M-16's. Already, 33 of 64 allotted RF/PF company group headquarters—designed to tighten command and control—have been formed. Special training of 1,000 PF platoons for pacification has started.

Bob Komer has pulled together all our RF/PF improvement programs into one package for better management by MACV and JGS. They are using our new Territorial Forces Evaluation System (TFES) to monitor RF/PF upgrading. The April TFES report shows the many problems we face in trying to make these low-grade forces into an effective territorial security organization. It pinpoints by unit shortages of operable radios, insufficient officers and NCO's, little in-place training, and a slow resupply system. We can point out to JGS the exact places where there are shortages of RF officers (only 67 percent of officers authorized are assigned to combat units) and PF NCO's (only 63 percent of NCO's authorized are assigned to combat units).

To help JGS manage the RF/PF program we have designed five gauges covering personnel, training, firepower, mission performance, and equipment status. Each month, data gathered by TFES from our some 3,000 advisors working with RF/PF are analyzed on this basis. We turn the results over to the JGS and also feed them back to field advisors for corrective action. The result is a problem-oriented management system capable of dealing with the more than 5,000 RF/PF units making up the territorial security web covering most of SVN.

As part of the revamping of Saigon's defenses, we are stressing measures in the pacification field which can enhance security of the capital. Since VC/NVA units operating against the city depend on the VC infrastructure for intelligence, resupply, and concealment, one way to hamper them is by attacking the infrastructure. Thus we and the GVN are beefing up the Phoenix/Phung Hoang structure in Gia Dinh. We are expanding the number of [nine words excised]. We are also trying out an ingenious new village alarm system that enables a hamlet to report presence of enemy forces. Above all, we are focusing on RF/PF.

Now that ground thrusts against Saigon/Gia Dinh have been temporarily beaten off, recovery is again making headway. But damage since 5 May—12,000 houses destroyed in Saigon, another 6,000 destroyed in Gia Dinh, and 161,000 new evacuees—has roughly equalled that produced by the
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Tet offensive. The big difference is that May attacks were largely limited to Saigon/Gia Dinh—little damage and few evacuees were produced anywhere else in country.

Our joint ARVN/MACV operation to clear and help rebuild in Saigon is progressing well. Rubble clearance is largely completed. Next step is 1,500 family units being put up by U.S. Army engineers in District 8. We have also supplied ARVN engineers with 200 prefab family units for District 6. Youth in the areas are pitching in as laborers.

Meanwhile, we estimate post-Tet recovery as more than 50 percent accomplished. Tet evacuees declined another 44,000 last week to 242,000—only 13,000 of whom remain in Saigon. Some 68,000 families have now received cement and roofing for rebuilding homes. Piasters allocated for recovery topped the one billion mark this week.

A province-by-province analysis of the status of recovery shows seven provinces/cities 90–100 percent complete, 11 are 75–90 percent complete, 14 are 50–75 percent, and nine are less than 50 percent complete. Eight remaining provinces/cities were not affected by Tet attacks.

Huong has decided he will personally chair weekly recovery meetings. At the first two sessions he was impressive. He has already relaxed the curfew in the central portions of Saigon, lifted the ban on private construction now that we have plenty of cement, appointed the dynamic Chief of the CRC coordinating Staff (Colonel Nhieu) as Mayor of Saigon, and put the provinces on notice that they must act more quickly.

Prices were generally lower this week reflecting increased delivery of commodities from the areas to the south and east of Saigon. The increased deliveries were due to some abatement in the fighting around Saigon as well as to police and military escorts that guided convoys of fresh produce to their destinations within the city. On Saturday, the section of the Newport Bridge damaged during May was reopened to traffic, and this may also have contributed to lower prices. The shortening of the curfew in much of the city could help to push prices down.

However, it has to be said that the continued rocket and mortar attacks on Saigon, combined with intermittent fighting in the suburbs, are holding back the economy in many ways. Business confidence remains low and the level of activity in many lines is far below pre-Tet. The city itself seems to operate less efficiently. For example, there are heavy traffic jams as streets are closed off to avoid insecure or damaged areas.

We are at work on projects for war risk insurance and a war-damage reconstruction loan fund, and these will help. But even with the best of policies, the economy is not going to thrive and grow under present conditions. It continues to function and function remarkably well under the circumstances. People are employed and some are making money. Economic life goes on, but it lacks the dash characteristic of the pre-Tet period, and whether it can continue to function even as well as it does now, unless security conditions improve, is a question.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FIFTY-SIXTH WEEKLY TELEGRAM, JUNE 20, 1968  The past week saw continuing emphasis on the problem of negotiations and interest in the Paris talks; on the problems related to the continuing evolution of constitutional government and its increasing civilianization; on the need for greater assumption by the Vietnamese of responsibility for the defense of the country and their own destiny; on the need for greater unity among the nationalist elements and for the development of political organization to give effect to this unity; and finally increasing attention to organization of the defense of Saigon.

Many of these matters were referred to in two important speeches, one by Vice President Ky on June 17, the other by President Thieu the following evening. Despite some negative developments in recent days, I think the sum of the two speeches distinctly encouraging. After explaining at length his decision to turn back the direction of civil defense to the Cabinet (where I think it properly belongs), Ky referred to communist rumors of an impending coup. He observed flatly that “no responsible person could approve of a coup d’etat at present. To engage in fighting and killing one another at this time is tantamount to assisting and colluding with the communist gangsters. Moreover, I have repeatedly affirmed that the Armed Forces and Police must be considered national forces whose task is to serve the fatherland, and nobody has the right to use them for his personal interests.”

Thieu’s speech was positive and at the same time realistic. He spoke of the need for the Vietnamese people to assume full responsibility for their own defense and to take over the burden from their allies, saying that the destiny of Viet-Nam is up to the Vietnamese themselves. He noted the passage of the general mobilization bill as a further step in this assumption of responsibility (the bill was promulgated in a ceremony at Hue on June 19, Armed Forces Day).

Thieu termed the Constitution and the elected government the necessary framework of democracy and noted progress in the establishment of democratic institutions. But he also emphasized the fact that the substance of democracy in the form of political party organization had not yet been created. He stressed the urgent need for this and pledged government assistance in the formation of a pro-government group and a loyal opposition to which those who did not wish to support the government could adhere. Thieu has discussed the problem with both Vice President Ky and Senator Tran Van...
Don and with Thieu's encouragement Don has taken preliminary steps toward the creation of a new Front of Fronts which will include both his own National Salvation Front and Nguyen Van Huong's Free Democratic Force. Thieu, I think, will now be taking a more direct hand in encouraging this and other groups to move toward political unity.

Thieu also emphasized several times in his speech the need for continuing trust and cooperation between the Legislative and Executive branches of the government as well as the army and the people.

The net impression of the two speeches is that Ky, while not very happy in the restricted constitutional role of Vice President, is nevertheless determined to avoid actions that will harm the national interests at this critical stage. Thieu's speech conveys the impression of increasingly stronger leadership directed toward building the institutions of democracy and broadening the base of government support while rallying the forces of the nation to defend its sovereignty and vital interests.

The dominant theme on the problem of peace negotiations continues to be one of firmness in the face of what is generally believed to be an all-out effort by Hanoi to achieve a politico-military victory during what is considered to be a climactic year. Continued attacks on Saigon and other centers of population, stepped up infiltration, and evidence derived from prisoner interrogations and captured documents indicating that Hanoi intends to step up military pressure in the coming months have tended to strengthen this attitude. It is strengthened also by the continuing apprehension among many South Vietnamese leaders, civilian as well as military, that the U.S. will be tempted to compromise their vital interests in dealing with Hanoi. The result has been reflected in a growing sentiment of many South Vietnamese leaders, civilian as well as military, for retaliation and against the continuation of the Paris talks so long as the enemy continues to shell Saigon and other population centers without regard for civilian life and property.

For example in his June 17 speech, Ky said there should be no compromise with the enemy. "The more we make concessions, the more opportunities we create to allow the war to continue. The more conciliatory an attitude we take, the more aggressive and reckless the enemy becomes." Last week, Information Minister Ton That Thien said in Honolulu that restricting the bombing "may have been responsible for the murder of women and children in Saigon." In the lower house, the Democratic Bloc asked the government and the allies to resume bombing of North Vietnam; the statement warns that "we cannot continue the Paris talks with North Vietnam, which is trying to exert political pressure on the talks by ruthlessly killing innocent Vietnamese." There is also the usual kind of ugly rumor going around Saigon that the U.S. is deliberately permitting the shelling of the city in order to pressure the GVN into concessions.

The fear of any concessions to the enemy was dramatized by the reaction to Dr. Phan Quang Dan's statements in the U.S., reportedly calling for a GVN
initiative to open talks with the NLF. Reaction in political circles, the press, the Assembly, and the military was so strong that the Cabinet felt compelled to ask Thieu to dismiss Dan from the government, which he did.

Thieu has privately expressed to me his own concern about the reaction to the continuing stalemate in Paris, coupled with continued terror attacks on population centers. He noted that we have been showing restraint and patience for two and one-half months with no signs of give on the other side. He has said that there is a widespread feeling among the Vietnamese people that the DRV continues to attack Saigon as a test of our determination and to demonstrate that the U.S. does not dare to retaliate; and the man in the street is asking, why does the U.S. let this go on without retaliation?

Publicly, Thieu is taking a reassuring but hard line. He said in his speech on June 18 that both the enemy shelling of Saigon and Hanoi's agreement to the Paris talks demonstrate their weakness; that communists only negotiate when they have no hope of military victory. In calling for increased efforts to strengthen the nation, he also said that the solution to the war lies on the battlefield; that peace conferences can only confirm what has already taken place on the battlefield.

Yet Thieu has also confirmed in private talks with us what he said to me as long ago as last August, namely, that at some point in time his government would not be adverse to private contact with the NLF or the VC; that there are men in the cabinet who have had contact in the past with men who are now Viet Cong or members of the NLF. Contacts would have to be secret because emotions and feelings of the South Vietnamese people would not allow them to understand that talking with the NLF and VC does not mean surrender. The rocketing of Saigon by the VC preclude any talks, even secret ones, with the NLF or the VC at this time. But he also understands that there will come a time when the position members of the NLF and the VC occupy in a peaceful Viet-Nam will have to be considered.

Thieu's moves toward greater civilianization of the government have brought some problems in their wake, particularly with some of the senior generals. I reported last week General Khang's submission of his resignation, using the excuse of his feeling of responsibility for the accident which caused the death of six senior GVN officials. General Thang has asked to be relieved as Commander of IV Corps and requested assignment as head of Political Warfare. General Vy is reportedly to have threatened to resign over the appointment of Colonel Nhieu as Mayor of Saigon, claiming to be in possession of a dossier of the latter's corruption while serving as province chief. Each has his own personal motives for wanting to quit, but I think the basic reason for their moves is the important shift in power relations which I described in my last report. Thieu has allied himself not only with Huong and other civilian leaders but is also installing military leaders loyal to him. This is being done in a way that curtails the influence of Ky and the military council and it is clear that Thieu is trying to assert his independence of the military council. This has further reduced Ky's authority in the government. In increasing his
own authority and in moving toward a better military-civilian balance in the
government, both of which were necessary, Thieu has at the same time creat-
ed potential difficulties for himself and for his government in the future.
Thieu has expressed a desire to create unity in the country in support of the
government and the war effort and has taken steps to this end; he must also
bring about unity with the Ky forces and the initiative must come from him.

The trend toward greater civilian participation in the government is one
we have stimulated and nourished for many years, beginning with our support
for the election of a Constituent Assembly. Certainly it is desirable that
Thieu play the role of a constitutional President rather than serve merely as a
representative of a military clique which tries to run the government from
behind the scenes. It is nevertheless regrettable that movement toward these
goals may involve the loss to the government of the skills and leadership of
several of the more able military leaders. But I am also strongly of the view
that the ostensible reasons for these resignations or requests for transfer do
not justify the individuals concerning opting out of the war effort.

Efforts to secure the Saigon population are moving ahead. General Minh
has accepted a plan for population control drawn up by General Hay. The
joint command arrangements are being rapidly implemented and I believe we
shall have an effective team.

Thieu and General Abrams have told me that they are pleased with the
way in which General Minh is taking hold in his new post. Thieu also out-
lined his thinking on the best way to defend Saigon: there would be two de-
fense rings, with the outer ring consisting of fortified strategic hamlets and the
inner ring of fortified new life hamlets. Thieu also commented that he has
been pleased with the performance of the new Director of National Police
Colonel Hai, the Saigon Police Chief Sat, and Mayor Nhieu.

A senior NVA colonel, Le Van Ngot, a member of the Lao Dong Party for
twenty-one years, has under interrogation given some explanations of Hanoi's
strategy. He believes that the Paris talks are part of a two-prong strategy
aimed at frustrating the U.S. to the point where we will withdraw from Viet
Nam. The offensive against Saigon is to provide the necessary military victo-
ry. According to Ngot, Hanoi also counts on our domestic peace movement
and economic difficulties to convince us that we cannot bear the cost of the
Viet Nam war.

Ngot also noted that talk about the Paris talks is discouraged among
enemy forces because it is feared that it will hurt morale. The troops are told
that success of the talks depends on military victories.

While Ngot claimed morale was good among the troops in his area, several
recent instances of mass defections or surrenders by enemy units have been
encouraging. The most recent and dramatic took place June 18 about noon
when large numbers of the VC Quyet Thang (Resolve to Win) Regiment be-
gan surrendering to the GVN in the Gia Dinh–Go Vap areas of suburban
Saigon. Their actions came in response [15 words excised] but they were run-
ning out of food and ammunition. There were confirmed reports indicating
119 men were involved; unconfirmed reports say 148. They are reported to have brought in 96 weapons. ARVN and press sources have claimed virtually the entire group is NVA, but this is not confirmed, although apparently a considerable number are NVA.

The Assembly was unable to override any of the executive amendments to the General Mobilization bill. The measure thus was promulgated by the President June 19. It provides in effect that all male citizens from age 17 to age 43 may be required to serve in the armed forces. All males 18 to 38 are immediately subject to the draft, while those from 39 to 50 and those 16–17 must be at once enrolled in the Peoples' Self Defense Forces. If the military situation requires, members of the Peoples' Self Defense Forces aged 39 to 43 and age 17 can be transferred from the Self Defense Forces to the regular army. The law also provides for deferments for men with critical skills, and for National Police personnel and RD cadre.

While not perfect, the bill is quite adequate and gives President Thieu broad authority to mobilize the nation's manpower resources. As Thieu himself observed in his speech yesterday, the law is also a victory for democracy because it was hammered out by the constitutional process despite the strains and hazards of the wartime situation. Its usefulness is psychological as well as legal. The nation is now officially on a war footing, with virtually all adult males subject to some kind of service to the nation.

According to our provincial reporters, popular attitudes toward the government in IV Corps improved last month. This does not mean that there was a sudden surge of popular support and mobilization of effort behind the GVN. There are still many critics, and the attitude of most of the Delta still is one of cautious waiting to see if future performance measures up to past promises. Still, there was a decided improvement over past negative attitudes toward the GVN.

One reason for this change is the increasingly onerous demands of the Viet Cong on the population. Taxation, from all reports, continues to be extremely heavy. Recruitment of teenagers is going on at a high rate, and rural parents are increasingly dubious of VC promises to return the youth to their homes after a few months. In addition, there seems to be growing resentment at VC terrorist tactics. The mining of a Tri-Lambretta [motor vehicle] in Chong Thien Province resulted in a 300-person anti-VC demonstration.

General Thang continues to be held in high regard, benefitting from relative economic and military normalcy. Also contributing to the favorable attitudes toward the GVN during the month were some good performances by the new province and district chiefs. Some of the latter, especially, are young, vigorous men who present a favorable contrast to their older, more lethargic predecessors.

On the issue of corruption, there was still the feeling on the part of most that the system of covert payments from bottom to top GVN levels remains unchanged. The comment began to be heard somewhat more frequently, however, that there is some improvement, thanks to the appointment of an honest
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corps commander. Such people say that because General Thang is honest (and they often add the name of Prime Minister Huong), his subordinates are more reluctant to engage in corrupt practices.

The appointment of Tran Van Huong to the position of Prime Minister has met with approval in the Delta. The fact that he is a native of Vinh Long does not, of course, detract from his support. More important, however, is his reputation for incorruptibility and energy. Many people mentioned these two characteristics, and commented that Huong is a far better man for the position than his predecessor, Nguyen Van Loc, whom most dismissed as weak and ineffective.

While supporting Huong, many people predict that he will have a very difficult time in the months to come. They praise his initial goals of reducing press censorship, restoring the old government work schedule (and thus the siesta) and his promise to combat corruption. His intentions are good, say these people, but he is such a direct, honest man that he may irritate and make enemies of those he must work with.

As in previous months, many urban Delta residents remain worried and suspicious about US intentions in Viet Nam. As could have been expected, this concern has been heightened by the Paris talks. These Vietnamese are encouraged by the fact that there have been no concessions by the US to date, but they remain pessimistic about the durability of American determination. The feeling is still widely held that the United States means to get out of Viet Nam and is prepared to force a coalition government on Viet Nam in order to facilitate retreat. There is little hope that Hanoi will negotiate in good faith.

The main enemy target still appears to be Saigon, although ground action was light this week in the surrounding areas. Indiscriminate shelling of the city outskirts continued, and there are numerous indications that preparations are continuing for another coordinated offensive against Saigon. Attacks could be launched at regimental strength at any time.

In addition to the threat against Saigon, the enemy appears to be building up his forces for action in northern I Corps. Enemy strength is increased in the Khe Sanh area in particular.

Also of interest are reports of enemy helicopters to the north of and within the DMZ. In several instances, fixed wing aircraft were reported escorting the enemy helicopters.

A third major target, considered under a reduced threat at this time, is the Kontum province area.

Action in IV Corps is confined to a pattern of harassing attacks by fire on friendly outposts and installations; the enemy seems to be avoiding major contact in this area.

The end-May Hamlet Evaluation System report shows continuation of the slow upward tend since the post-Tet February low. Relatively secure population (ABC categories) increased by 64,000 to 62.1 percent of total. VC-controlled population dropped to 17.6 percent from 17.9 percent.
Improvement would have been greater except for the large regression in the Saigon/Gia Dinh area, where 140,000 people dropped from relatively secure to contested because of the enemy's May/June offensive. This was offset by modest gains elsewhere, especially a substantial gain in IV Corps (79,000) reflecting continued improvement of security under General Thang.

The new Director General of National Police and Saigon Mayor are working more closely with US advisors than their predecessors. The police chief, former Ranger commander Lt. Col. Hai, is pushing removal of corrupt and ineffective police officials. We provided him a list of 50 names and already the axe has begun to fall. New Saigon Mayor Nhieu worked closely with us on the Central Recovery Committee, and has already asked for greater American staff support in meeting Saigon's problems.

Meanwhile Bob Komer is pressing the new Huong cabinet hard to get moving faster on pacification. He briefed Thieu, Ky, and Huong at length, and has been cultivating Gen. Khiem, the powerful new Interior Minister. We are hopeful that Khiem will breathe new life into the critical attack on the VC infrastructure.

With continued disruption from rocket/mortar attacks, urban recovery will be with us for some time. In Saigon and vicinity, evacuees and damage from May-June offensive continue to climb. With still incomplete figures houses destroyed in Saigon/Gia Dinh number 18,800. Evacuees climbed to 176,000—15,000 more than a week ago. But relief supplies are flowing adequately and resettlement allowances are being distributed. Curfew has been relaxed throughout the city. Huong, who sees the need for wrapping up recovery so he can get on to other pressing tasks, is pushing the ministries harder than Loc did.

Our joint ARVN/MACV operation to clear and help rebuild in Saigon is making good progress. We have offered the GVN an additional month's production of about 400 prefab buildings, with space in a pinch for 4,000 families, for permanent relief shelters in Saigon.

Meanwhile, I visited a very well-managed refugee center at Petrus Ky where 2,600 people already have been moved into adequate temporary homes. In all 1,090 units (enough for more than 12,000 people) will be completed shortly. In Lam Son Stadium 463 units have also been completed and occupied. Another 468 units are under construction at the Medical Center.

Retail prices in Saigon fell again this week, with food prices down four percent, non-food prices even, and the index as a whole down three percent. Pork, fish, vegetables and fruit were all down in price, with rice unchanged. The latest index figure gives us a 20 percent increase over the beginning of the year.

During the first five months of 1968, money supply rose by 31.8 percent, while during the same period of last year the increase was only 9.3 percent. It is evident that the money supply increase this year has not reacted on prices as forcibly as might have been expected. The main part of the explanation
seems to be that people have changed their spending patterns and are holding larger cash reserves this year.

Formal discussion of economic matters with the new cabinet was launched in a meeting held June 15, with a wide range of topics covered. The new Minister of Economics, Au Ngoc Ho, and Minister of State Vu Quoc Thuc gave every indication of being ready and able to make decisions. A large part of the discussion concerned rice, where the attitude of the new government is good. We should have decisions by next week on rice requirements for the remainder of the year. But the government has still not been able to agree on a policy to improve the price peasants receive for their rice and to stimulate rice movement out of the Delta.

With regard to the GVN foreign exchange level, we believe that the GVN will accept our proposals for a rice-purchase escrow account and debt pre-payments that will cut the GVN reserve back to the $300 million level or below, and keep it in that range through the summer. Minister Ho also pointed out that GVN-financed import licensing from the U.S. during the first five months of 1968 was around $23.4 million, not counting the $13 million purchase of two Boeing aircraft. This compares with $26.3 million in all of 1967 and is very encouraging.
LVII

FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FIFTY-SEVENTH WEEKLY TELEGRAM, JUNE 27, 1968 Developments during the past week included what appeared to be some hardening of the government’s position on peace; at the same time, several small groups representing fringes of labor, students, and Buddhists issued peace appeals. Communist shelling of Saigon fell off sharply, but there are indications that they intend to renew their attack on the city. There is also evidence that the enemy is still placing primary stress on his military effort in order to gain his political objectives. All local indications are that the present lull in activity is due to enemy efforts to replace his losses, reinforce his troops, accumulate weapons and ammunition, in order to undertake more ground attacks on Saigon, and to initiate heavy action in other areas.

The attitudes of the Assembly and the government toward a peace settlement seemed to be hardening. I reported last week the firm public statements by both Thieu and Ky on this subject. This week, the Assembly demonstrated its feeling about the NLF and the subject of negotiations in general.

On June 24, at the Assembly’s request, Prime Minister Huong appeared before the Assembly to discuss the question of Saigon security. In describing the communist movement in South Viet-Nam, in response to a question, Huong made the observation that it had attracted some genuine nationalists during the colonial period and under the Diem regime. Before he could go on to say that these nationalists had since either been eliminated or brainwashed, Huong was silenced by shouts of protest from the floor. A majority of the legislators registered loud and long their disapproval of the idea that the NLF is anything else but a tool of Hanoi. When order was finally restored, Huong went on to make a strong statement on the government position regarding the NLF, which converted the jeers into an ovation. He followed this up with an official interview in the Viet-Nam Press in which he is quoted as saying: “Once again, I reiterate my standpoint: (a) not to recognize, (b) not to negotiate, (c) not to have a coalition with the so-called National Liberation Front of South Viet-Nam.”

The lower house discussed the question of peace and negotiations efforts, ninety Deputies having signed the petition to place the item on the agenda. Although the debate was generally calm and constructive, it was clear from the debate that the lower house remains uncertain about the U.S. position. They decided to recommend to the Executive that the GVN seek clarification
on a number of points, and they also apparently intend to send a letter to the U.S. Congress.

The House approved a number of points "in principle" for inclusion in these two documents. The most important from their point of view seemed to include the absolute rejection of a coalition government, the need for a time limit on the Paris talks, and a demand that the talks be stopped if the enemy attacks on the cities of South Viet-Nam continue. The House also wants the GVN to request the U.S.: (a) to affirm that any elections in South Viet-Nam should be carried out by the legally elected GVN according to the Constitution; (b) declare that it will continue to support the GVN against communist aggression; (c) make clear that the Paris talks are only preliminary, that the GVN will play the principal role when peace talks occur; and (d) the U.S. understands that the GVN will not accept an imposed, unacceptable solution to the war.

Prime Minister Huong also addressed the problem in a television speech June 22. He accused the communists of "abusing our allies" good will in restricting the bombing of North Viet-Nam to increase the infiltration of cadres, troops, and deadly weapons.” This is occurring just when “the enemy is talking peace in a foreign capital.” In an obvious if indirect reference to the Paris talks, Huong concluded “although there is nothing in the domestic or foreign situation which allows us to be optimistic, we must determine our own fate. No power can determine our fate against our will, no country—no matter how friendly it is—can force us to accept a solution contrary to our will and to our Constitution.”

While the government was reaffirming its stand on the problem of peace and negotiations, several small groups representing labor, students, and Buddhists issued peace appeals. On June 13, the Saigon Student Union called for negotiations to end the war promptly, urging the Huong government to fulfill its promises of peace. A week later, the militant An Quang Buddhists appealed for a “cessation of killing,” blaming both sides for indiscriminate attacks on the civilian population. On June 24, a new labor group with no following, the Action Labor Force in South Viet-Nam, expressed support for the Saigon Student Union statement and demanded a political solution for the war.

These appeals do not distinguish between the two sides to the conflict. There are no conditions specified for peace, no reference to the need to insure the freedom and independence of the South Vietnamese people, and no condemnation of communist aggression.

These simplistic peace appeals could conceivably weaken the will of the Vietnamese people to continue their resistance to communist attack, particularly if the latter should succeed in creating heavy civilian casualties and damage. The appeals are certainly not calculated to support the Allied effort to achieve a just and honorable peace. While we do not have hard evidence of it, there is reason to suspect these appeals reflect communist influence. There are links between the groups concerned, which suggest their action could be
part of a concerted effort. Over the past several years, the An Quang Buddhists have consistently taken actions that assisted the communists; many Vietnamese are persuaded that the An Quang leadership is deeply infiltrated if not outright communist directed. The Saigon Student Union is now dominated by professional student leaders who are often described by knowledgeable Vietnamese as An Quang oriented and pro-communist. The Action Labor Force is new and relatively unknown, but its leadership appears to have a rather dubious background.

A fourth group, the Tam Chau Buddhist faction, has also issued a peace appeal which is clearly anti-communist. It condemns the indiscriminate shelling of Saigon and their spokesman said at a press conference that "no religious group can exist together with the communists."

The groups involved in these peace appeals have neither effective organization nor mass following, yet the call for peace could produce echoes here simply because of the depth of the desire for peace among the Vietnamese people. The mass of the people do not want a communist regime, morale in Saigon remains high despite the shelling, and there is much willingness to make more sacrifices—but there is also a great longing for peace. The communists will try to exploit this longing; we must try to mobilize it in support of our efforts to achieve an honorable peace. Our handling of the Paris talks will be critical, to the success of this effort.

During the past week, Saigon was shelled only one night, June 20, when eight rounds landed in the city, killing two children and injuring twenty civilians. (The total number of rounds to fall on the city from May 5 to June 25 is over 417, with 115 civilians killed and more than 528 injured.) Last week was the quietest since May 5. The lull may be due to improved defense arrangements; it may also be due to Hanoi's sensitivity to international opinion and our pressures at Paris; or it may be due to the enemy's decision to build up his resources for a combined heavy ground and fire attack on Saigon in the future. While the shelling has fallen off, reaction to it continues strong in Saigon. Many families have constructed shelters and sandbags bring a premium price. Huong addressed himself to the problem in his June 22 television speech. He outlined government efforts to stop the shelling, pointing out changes in personnel and organizational structure, and said "we have succeeded in foiling the enemy guns for the past few days."

When I discussed the matter of attacks on Saigon with Thieu and Ky on June 25, they agreed that morale in the city is high. However, they also felt continued shelling of the city without retaliatory action on our part could cause a break in morale and add to the government's problems.

Both our military and the Vietnamese have been working hard to improve the defense of the city. General Hay has set up a unified command of the American forces involved in Saigon defense closely coordinated to that of General Minh. American police advisers are now working with all Saigon District Chiefs and CORDS has set up a special advisory office at City Hall to help the Mayor.
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Improved surveillance of the areas surrounding Saigon and greatly reduced reaction time for counter-fire has been effective. The surveillance and counter-fire system employs both ground and air units, including radar towers. The optimum time for counter-battery fire has now been reduced to one minute. Secondary explosions and discovery of enemy bodies along with unused rockets and mortar shells testify to the growing effectiveness of these tactics. They are still being improved.

All indications are that the enemy intends to undertake ground and rocket attacks on Saigon, and to initiate heavy action in other areas. He has reportedly made street fighting tactics a basic part of the training of infiltrators, and the Viet Cong are stressing preparation for urban operations. Enemy propaganda continues to hail the rocket attacks on the city, both predicting and demanding an intensification.

I have noted the possibility that the recent peace appeals here were in part communist inspired. I think it also important that the Alliance [of National, Democratic and Peace Forces] continues to be put forth as a stalking horse. Doubts about our intentions have helped to keep it alive, and while it is widely regarded as a tool of Hanoi, the Alliance is not rejected out of hand by all. We have a recent report [three words excised] which strongly suggests that Tran Van Tuyen sees the Alliance as an escape route for those intellectuals, GVN officials, and military personnel who may want to leave the government side in the future.

Tuyen expects the Huong government to fall, and though he does not say so, he also apparently expects the communists to prevail in the end. Thus he calculates that many people will have to avail themselves of the Alliance in order to “leave a sinking ship” with some shred of dignity. I think Tuyen’s attitude is heavily influenced by the belief, perhaps engendered by his visit to the U.S. earlier this year, that the United States is no longer determined to defend the freedom and independence of South Viet-Nam.

Enemy intentions are not always consonant with his resources. While infiltration has made up many of the fearful losses incurred by the communist forces since Tet, the new troops are often green and inadequately trained. This is believed to be an important reason for the recent mass surrenders. (There have been four recent instances of mass surrenders: [a] May 1, ninety-five enemy surrendered about ten miles northwest of Hue; [b] between May 30 and June 4, sixty enemy personnel surrendered about seven miles northeast of Phu Bai in Thua Thien Province; [c] June 9, thirty-one members of an enemy surrendered in Cholon; [d] June 18, 150–160 enemy personnel surrendered in Gia Dinh.) It is true that in every case the enemy was also surrounded, subject to heavy fire, short on leadership, and subject to psychological operations. Some units were also low on ammunition and food supplies. MACV believes, however, that these factors do not fully explain the surrenders; rather, they believe that the spirit and quality of some units are no longer adequate to support his unlimited use of “pitched battle” tactics.
I reported in [telegrams] 30844 and 30631 developments concerning the present relationship between President Thieu, Vice President Ky, and some of the other generals. As I said in those messages, Thieu has clearly chosen the role of constitutional President rather than that of the representative of a military clique. Some of Thieu's moves consequent on this fact have caused some disquiet and dissatisfaction among some of the generals notably, Ky, Khang, Thang and Vy.

In my talk with Thieu yesterday, however, he indicated that he believed that these problems were on the way to solution. He said definitely that Vy would not resign, that Vien would continue as Chief of the JGS, and that he would be meeting with Khang and Thang after our talk to try to work out their problems. He praised Thang's ability and honesty and said that he wanted him to return to IV Corps as Commander there, but noted his propensity to resign, generally when he felt his work had reached a peak of success. He repeated that Khang had been trying to hold down too many assignments at one time with a result that none of them were being carried out with sufficient effectiveness. He proposed to ask Khang if he wished to retain command of the Marine Division which is where Khang's career started and which has always been his favorite Division, and give up III Corps, or hold both jobs, in which case he must show more cooperation with General Minh.

Thieu also said that he proposed to go ahead with the War Cabinet though, since this was not provided for in the Constitution, it would be set up on an informal basis. He will thus endeavor to bring Ky, Huong, the Interior Minister, and probably the Defense Minister together frequently for discussion of major political problems. He also agreed to institute next week the joint meetings which I had previously suggested to him between top GVN officials and our side. It was agreed beginning next week we would hold the meetings on the first and third Wednesdays of each month starting at 10:00 A.M. and going on through lunch. I believe this should give us the opportunity to work out more effectively the important mutual problems with which we are both concerned.

The Assembly is nearing the end of its regular session, and I think that on balance it is fair to say that its record is quite good. This is especially true when one considers the newness of the constitutional institutions and the difficulties of the present war situation. Since its inception, the Assembly has organized itself and has passed and promulgated two major measures, the National Budget and the General Mobilization Law. In addition the Assembly asserted its constitutional prerogatives by investigating various aspects of the government's performance. It also played an important role in the moves which resulted in the formation of the Huong government.

Business now under way in the Assembly includes the political party law, the press law, the Supreme Court Law, the War Risk Insurance Law, and the War Reconstruction Surtax. The first three have been passed by the lower house and await action in the Senate. The War Reconstruction Surtax had been passed by both houses, but differences in the two versions have yet to be
ironed out. War Risk Insurance is due to be considered on the floor of the lower house this week.

Both Houses are planning a recess next month, the lower house for the entire month, the Senate for only ten days. However, Thieu has told us that if necessary to keep essential legislation moving through the Assembly, he will cut short the recess by convening a special session.

Prime Minister Huong has ordered the formation of special committees to speed up the consideration of the cases of persons under provisional detention. Huong gave the committees two weeks to go over all pending cases, following which those persons under provisional detention will presumably be freed or bound over for trial. The committees are to be set up at province level, with special committees for the autonomous cities and Saigon.

Gen. Vy held a press conference June 25 to explain the implementation of the General Mobilization Law. He told reporters that by the end of the year, thanks to the new law, the armed forces of the nation will number 800,000. General Vy said that manpower resources from 18 to 33 years of age will be completely utilized before the calling up of people of a more advanced age. However, he added, the majority of people falling in this age category have all been mobilized under the partial mobilization law except (a) individuals who have enjoyed draft deferment, mostly schoolboys and students (now, more restrictive deferment criteria will be applied); (b) officials of private and public services, being successively mobilized from now to the end of the year according to a fixed schedule (the first mobilization wave has already taken place on May 15, 1968) and (c) school teachers who will be mobilized during this summer vacation.

According to Gen. Vy, people from 34 to 38 years of age without prior military service will be mobilized, first the younger, then the older.

The enemy's main targets continue to be Saigon, the northern provinces of I Corps and the Western Highlands. While the enemy might wish to launch another country-wide offensive, he does not appear to have the capability for it as this time. He is, nevertheless, engaged in replacement, reinforcement and re-equipment of his troops for future offensive action. There is a possibility of ground attacks on Saigon by the end of the month or early July, followed in several weeks by an offensive in I Corps.

In I Corps there is no evidence that large scale action is imminent. Enemy forces in the Quang Tri City and Hue areas have withdrawn deeper into their base areas and are not engaged in offensive actions probably because they are occupied with rice collection. The enemy has also shelled I Corps population centers in the same indiscriminate manner as Saigon. Quang Tri and Dong Ha cities were hit this week.

In II Corps the combination of friendly operations and weather has apparently caused the enemy to cancel his offensive in Kontum. There are movements that may threaten Pleiku, but probably not until late July.

IV Corps activity continues to be marked by essentially harassing operations, but during the past week there were ground attacks against friendly po-
sitions for the first time in more than two months. Also in IV Corps there were reports of VC units being required to send reinforcements to the Saigon area, and there are indications that the Paris talks are troublesome for the VC because some cadre and troops look to the talks to provide a diplomatic solution to the war.

New Interior Minister Khiem has taken intense interest in Phung Hoang—the program for attacking the VC infrastructure. Since getting Bob Komer's briefing on program outline and objectives, Khiem has called for several additional briefings and discussions on components. He has ordered the Police Special Branch to organize small staff elements (from district level up) to coordinate anti-infrastructure activities. Its issuance indicates Khiem intends to act decisively on anti-infrastructure matters—rather a change from the former minister whose biggest fault was failure to move at all. Khiem has also agreed with his staff's proposal (which we encouraged) to assign one platoon of 14 to 44 Special Police to each district to be used against the infrastructure.

We arranged a day's trip for Khiem to visit [about 35 words excised] of which 176 are operational now. Khiem visited five in five different provinces coming away educated and convinced that stronger, clearer, central direction in form of a Presidential decree is needed.

Phung Hoang results for May are encouraging: 1,271 identifiable, quality members of enemy's political-military organization were neutralized—146 killed, 1,028 captured and 97 rallied as Hoi Chanh. This compares with all-time high of 1,295 in April. However, proportion of district/province level cadre neutralized increased to 201 out of total of 1,271. Most notable progress was made in Gia Dinh surrounding Saigon where increased attention on anti-infrastructure measures resulted in neutralization of 144 VCI in May compared to only 22 in April.

Decision this week by GVN to keep responsibility for prisons under Interior rather than transferring it to Justice Ministry, as proposed by Huong, has eased our concern that VCI picked up by increasing productive Phung Hoang program would be let out the back door. Undoubtedly, Huong with his compunction for honesty and justice felt shift to be desirable. In normal times it would be.

Much more serious thought is beginning to be turned on details of self-defense program which so far has not jelled. Now that Ky has abdicated interest, question of who runs self-defense is raised again. Typically, GVN seems to favor inter-ministerial committee solution. We have been arguing that one ministry with already functioning elements at each administrative level, viz, MOI, can administer the program more efficiently than any inter-ministerial committee without any funds or personnel, and hope that the decision will fall this way.

Biggest problem now is arming self-defense groups once formed and trained. Sources of arms is not clear. Defense has plenty of M-1 carbines made excess by issue of automatic M-2 carbines and M-16 rifles to RVNAF,
shotguns left over from strategic hamlet program, and assorted other weapons suitable for self-defense forces. But, there is as yet no Presidential directive making MOD responsible for furnishing them. Also, local leaders are often reluctant to issue weapons because they are accountable that none fall into wrong hands. Because of past experience there is an aversion to arming religious and political groups, often the people best able to organize themselves and the most highly motivated. There is need for a strong, clear directive in handling the essential question of furnishing arms to self-defense forces.

It takes constant prodding to keep recovery going now that most evacuees in cities have been cared for and remaining evacuees are less visible in more remote districts and villages. Despite repeated efforts by inspection teams from Central Recovery Committee, allocation of sufficient funds and institution of simplified procedures to help place money and materials needed for resettlement in hands of Tet victims, overall recovery is only 54 percent complete. Resettlement payments (61 percent complete) are rather far ahead of payment of indemnification for death, injury or loss of property (43 percent complete). We continue to find CRC most useful means for bringing figures like these before GVN leaders and proposing means for improving performance.

Number of Tet evacuees continues to dwindle as total declined 16,000 during week to 205,000—only 40,000 of whom are living in temporary shelters. Registered May–June evacuees in Saigon–Gia Dinh also dropped by 8,000 to 171,000. Now that May–June group of victims is beginning to receive allowances, resettlement should quicken. Moreover, good progress is being made on ARVN-US military reconstruction projects in Districts 6 and 8. About 200 units, with space for 1,000 families, have already been completed.

We are continuing to stress to GVN the need for a war risk insurance plan to speed economic recovery. Also, since the unusually long curfew is having an adverse effect on small businessmen throughout Saigon/Gia Dinh, we are advocating relaxing it district-by-district as security improves.

Retail prices in Saigon continued their decline this week, bringing our index down another three percent, to a level only three percent above that of April 29, just before the May offensive, 11 percent above January 24, just before Tet, and 17 percent above the beginning of the year. Most food prices have been declining due to improving deliveries from the Delta. If the trend continues for another two or three weeks, we will be in a position to say that the price effects of events since Tet have been wiped out.

Members of the Mission met with the Minister of Economy on June 25 to discuss rice problems. Minister Ho agrees that the price of imported rice needs to be raised and additional measures to raise the price received by peasants need to be undertaken, but are not yet worked out. Minister Ho is taking a two-day trip to the Delta this week after which he plans to effect the necessary actions. Getting the rice trade moving is the number one economic problem now. The new Cabinet's attitude on this is good; it remains to be seen how well it will follow through.
The GVN has already this year taken two concrete steps to raise tax revenues. On April 1 austerity tax rates on imports were raised approximately 10 percent across the board. This should increase customs revenues by about 25 percent, or two billion piasters in 1968.

The second step was taken June 1 when the detailed Brussels Tariff Nomenclature was adopted for official use. This measure should enhance revenues by even more than the above increase in customs rates.

In addition to these steps both houses of the Legislature have passed—in slightly different versions—a bill providing for a 20 percent surcharge on most domestic taxes, which should add some two billion piasters of revenues this year. After this is passed, we understand that attention will again be focused on raising the tax on petroleum products. Finally, a review of tariff rates is nearly finished. If the recommended new rate structure is accepted by the Legislature, it will improve the distribution of the tax burden and increase revenues substantially.

Along with better administration, the above measures represent a constructive effort by the GVN to meet its tax problem. It is noteworthy that April and May domestic tax revenues were the highest ever for any two months and that so far this year more taxes have been collected than at the same time last year—in spite of the security problem and the sluggishness of the economy. More still needs to be done but once all of the above listed measures have been put into effect; the GVN will need some time to digest them before moving on to new fields.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FIFTY-EIGHTH WEEKLY TELEGRAM, JULY 4, 1968  I am preparing a brief summary for you of where we stand at mid-year and hope to have this for my next weekly message. I should, however, like to make a few brief general observations on the situation as I see it now. The Government has grown in effectiveness and there is increasing evidence of determination to make it more effective, a consciousness that popular support will be gained only through effective government. Thieu has continued to move ahead with his government reorganization plans with increasing confidence; he said to me recently, I have “nailed the coonskin to the wall.” In the process, Thieu has grown in stature and power and has gained wider support. In our dealings with the members of the new government, we have noted a greater willingness to take responsibility and to make decisions than was the case with its predecessor. Considering its inexperience with the instruments of government, the Assembly on the whole has acted responsibly and passed some constructive legislation. The Armed Forces have continued to improve in morale, equipment, performance, and in strength; the RVNAF today exceeds its authorized strength by more than 75,000. To give substance to the form of democratic institutions, Thieu has set the stage for the formation of a legal, pro-government political organization, at the same time encouraging the formation of an opposition party. These are developments which have been achieved often step by painful step but I think they are real and have substance. I share a reasoned confidence that, properly encouraged and supported, constitutional government can continue to grow in strength and effectiveness. I shall be reporting on this in greater detail next week.

The major developments of the past week have been: (a) Thieu’s move to openly foster the formation of a pro-government political organization; (b) the reduced level of enemy military activity (it reached the lowest level of the year); (c) the substitution by the enemy of terror attacks for offensive military action; and (d) an improving public image of the GVN as more and more government officials, especially province chiefs, are reported to be assuming a more dynamic and courageous role in the defense of both urban and rural areas, often in the face of sustained enemy harassment.

I have previous reported the clear decision by Thieu to play the role of constitutional President. This is part of a continuing process in which, since 1966, we have seen a steady growth of democratic institutions. The process is not complete, but it has come a long way. The most recent step toward a
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working democratic system in Thieu’s public recognition of the need for strong political parties and his decision to openly foster their formation. On June 29, he presided over the inaugural meeting of a new umbrella organization intended to back the government and create a framework to compete effectively with the communists in the political sphere. Known as the Lien Minh, the new organization unites the two rival political organizations which appeared in the wake of the Tet attacks—Tran Van Don’s National Salvation Front (often regarded as pro-Ky), and Nguyen Van Huong’s Free Democratic Force (generally considered to be Thieu’s party). The third component in the new organization is the Hoa Hao-CVT organization known as the Farmer-Worker Association.

In his remarks to more than two hundred official delegates who attended the June 29 meeting, Thieu noted that at some stage there will be an end to the military struggle and the opening of a period during which the struggle with the communists will shift to the political arena. The nationalists must be strong enough to defeat the communists politically when that time arrives. He commented that since political unity had not yet been realized, he felt compelled to take realistic and straightforward steps to meet the constitutional requirement for government encouragement of a party system; that the government relationship with political parties, however, would be strictly constitutional. He said that he wanted political parties, operating openly, to play a major role both in “national activities” and in mobilizing the people in a joint effort with the government to oppose the communists.

It is not yet clear which political factions will be added to the three major components mentioned above. [about 18 words excised] will play an active role.

The roles of the Vice President and Prime Minister are also still not clear. Thieu did not invite them to the June 29 meeting; he explained to me that he had not done so because he does not want the party to appear as a creature of the government, but hopes that it will support the government. It is reported, however, that both Ky and Huong may attend the formal organization meeting when the party is publicly announced, which it is expected may be today or shortly thereafter.

While the pro-government elements are being rallied around the Lien Minh, as the new organization is called, at least three opposition politicians appear to be trying to form a united opposition. The most active to date has been Ha Thuc Ky, who is reported to have drawn up a shadow cabinet. He held his own rally on June 26, where he reportedly talked with some fifty “out” politicians about the possibility of putting together a united opposition party. (The political party law now in the Assembly calls for the naming of a single opposition leader, and Ha Thuc Ky is probably hoping to play that role.) Hoa Hao Socialist Pham Ba Cam is also trying to put together an opposition coalition. The press reports this morning that former Chief of State and presidential candidate Phan Khac Suu proposes to form a new political party to be called “The New People’s Force.” He reportedly defined the action
program of his party as "revolutionary" in building toward a socialist economy.

I do not want to over-stress the progress made to date toward a two-party system in which both parties have good organization and grass roots support. Only the very beginnings of such a system are in evidence. Nevertheless, I am encouraged by Thieu's efforts and the response to them. I am not persuaded that the Vietnamese nationalists cannot unite sufficiently to compete with the communists in a political contest; and I believe that they are beginning to understand the necessity for such cooperation if they are to survive.

The development of an effective pro-government party will depend primarily on the performance of the government, on whether the government can inspire trust and confidence. In this respect, I am encouraged by the performance of the Huong cabinet. Most of the Ministers have taken hold well, and Huong himself, I think, is doing well. There was concern that he might prove too stubborn and inflexible to work effectively with Thieu, but this has not proved to be so. Thieu has told me that he is pleased with the way in which Huong is working, that he is proving to be much more flexible and politically astute than when he served formerly as Prime Minister and Mayor of Saigon.

An evidence of the government's confidence in itself was the release this week from "protective custody" of Thich Tri Quang and four of his fellow An Quang bonzes. This move is in line with Huong's determination to release prisoners who are being held illegally. Another sign of government confidence and strength is the continued toleration of a free press which does not hesitate to criticize the government in rather strong terms.

There is, of course, the continuing problem of associating Thieu and Ky together more closely in the decision-making process. Ky still has the potential of making difficulties. He could provide a rallying point for northern, extreme anti-communist, anti-American, and anti-civilian government elements. I do not think Ky will choose to play such a destructive role in the present critical situation, however, particularly if Thieu will really make some effort to bring him into closer collaboration in setting government policy. Our joint meetings with Thieu, Ky, Huong, and the Ministers of Interior and Defense, the first of which took place yesterday, should help to serve that purpose. So should our continuing meetings with Thieu, Ky, and the Foreign Minister on the Paris talks and the problems of a peaceful settlement.

Enemy military activity last week reached the lowest level of the year. There are a variety of reasons behind the lull in enemy attacks, and the situation varies from one area to another. In the Delta, the enemy seems to be engaged in little more than trying to maintain the status quo. His posture probably reflects concentration on other areas which he considers more important strategically; but it also reflects enemy problems and weaknesses which were aggravated by losses incurred at Tet and post-Tet.

In the Highlands of II Corps, enemy inactivity is clearly the result of friendly preemption. There is every indication that he had planned a major thrust to Kontum. Our artillery and airstrikes, particularly B-52 raids, kept
the enemy off balance, and by early June the threat to Kontum was dissipated as his badly mauled units withdrew without giving major battle. With the advent of the monsoon, we expect little enemy activity in the Highlands for some time to come.

The picture in I Corps and III Corps is quite different. Here, the enemy is plainly making preparations for offensive action. In I Corps, preparations are concentrated in Quang Tri, Thua Thien, and Quang Nam provinces with Hue probably a major objective. In III Corps, the enemy has been weakened by a combination of attrition in battle and the effects of massive airstrikes. He is nevertheless in a continuing stage of preparation with a heavy flow of replacements and reinforcement of men and materiel to support renewed pressure on Saigon.

MACV's estimate is that the present countrywide lull in enemy activity has been forced on him. They believe that while the enemy planned to increase the tempo and intensity of the war, a deteriorating force posture and overpowering friendly counter-action compelled him to reduce the level of his attacks. His losses have been made up in many cases with green recruits. Some are very young. Many have had little or no training. A recent sample of infiltrates showed that one-half had had the normal twelve week training; the remainder had had from zero to eight weeks.

The MACV estimate is also supported by the continued use of enemy terror and sabotage, tactics which he normally uses to maintain pressure when direct military action is not feasible. The most dramatic recent example was the June 28 terror attack on Son Tra in Quang Ngai Province. In that attack, enemy forces deliberately attacked the civilian population and put their homes to the torch. Eighty-eight persons were killed, 73 of them civilians; 103 civilians were wounded, and 570 homes burned. In a hamlet of 4,000, 2,800 are now homeless. Son Tra had no military significance as such.

Other terror acts go on steadily throughout the nation. Last week the enemy assassinated 134 civilians (not including the Son Tra casualties), wounded 157, and kidnapped 166. A sabotage team succeeded in dropping a forty meter span of the Ben Luc bridge on strategic Highway Four some sixteen miles south of Saigon. A pontoon bridge was in place within three days.

While the enemy continues to use terror, and the quality of its troops has declined perceptibly in many areas, the RVNAF are steadily expanding and improving. All 161 maneuver battalions contained in the FY-68 force structure have been activated and are operational. The estimated personnel strength of regular forces as of 30 June is 406,500 compared to an authorized strength of 363,703. Both Regional and Popular Forces have also increased in strength; the RF from 157,591 on 31 March to 184,050 at 31 May. During this same period, PF strength increased from 153,094 to 159,859.

As of 30 June, the issue of M-16 rifles to all ARVN maneuver battalions had been completed. The issue of this superior, lighter, more effective weapon has measurably increased ARVN morale, effectiveness, and pride. The next priority for the M-16 is the RF/PF, PRU and advisers of the
Saigon/Gia Dinh Capital Military District. Issue of the 27,000 M-16s required for these units will be completed by early August, thus substantially increasing the capability for the defense of this area.

I think it is also true that the Vietnamese forces have gained in the estimation of the population since Tet. The recent mass surrender of more than 150 VC/NVA troops in Gia Dinh increased considerably the respect of the Gia Dinh population for their own military. This was particularly true because the GVN forces used “new tactics” of ground encirclement rather than massive aerial or artillery bombardment with the attendant destruction of property. (I am also encouraged by this indication that it is not only the VC who have learned something about warfare in the cities since Tet.)

There is, of course, the possibility that the current lull is a deliberate de-escalation motivated by political considerations. Yet enemy propaganda, captured documents, interrogations, and past performance indicate that the enemy’s preferred strategy is to exert maximum military pressure while negotiating. His strenuous efforts to prepare for offensive action in I Corps and around Saigon plus the continued use of terror suggests that the enemy has not cut back his military activity for political reasons.

I would not be surprised, however, to find that Hanoi will attempt to make a virtue of necessity. While the main reason for the lull in enemy activity is probably the increasing strength of friendly forces and the necessity to replace the heavy losses he has suffered since the beginning of the year, Hanoi may choose to portray their lack of action as restraint if this suits their negotiating tactics.

The number one political question in the minds of virtually all Vietnamese remains the question of peace. It figures in Assembly debates, the press, dinner conversations, the market place, and many aspects of daily life. Fear of a settlement that will not guarantee the independence and freedom of the South Vietnamese remains widespread, as does concern about American intentions and impatience with the Paris talks. This came out in the continued debate in the lower house on the need for a clarification of the U.S. position which I reported on last week. It came out also in debate on an agenda item entitled “The Cabinet and the National Situation.” In the course of a heated and inconclusive session, the GVN was blamed for not knowing what is going on at Paris—a situation which one deputy termed a “national disgrace.”

While the more extreme statements made in the recent Assembly debates probably do not represent more than a minority of Vietnamese opinion, it is clear that impatience with the Paris talks and the partial bombing pause is widespread. Recent reports from our officers in I Corps indicate that this is the general feeling there as well as in Saigon.

Perhaps in part as a response to the criticism of the government in the June 27 debate on “the Cabinet and the National Situation,” the Prime Minister on June 28 issued a communique which warned that a sentence of “limited hard labor” will be meted out to those persons who directly or indirectly disseminate Communist policy, carry out activities designed to “weaken the
national anti-communist will,” or advocate pro-communist neutralism. The
communiqué was specifically directed at those groups which, as I reported last
week, have recently issued peace appeals.

The hard line, northern Catholic organization, Greater Solidarity Force,
got into the act by issuing a resolution which demanded the recall of the Bui
Diem mission to Paris, asked the US to end the Paris talks, and expressed
determination to “mobilize the population in opposition to the Paris talks.” The
press also continued to be full of editorial comment on the whole range
of issues connected with peace.

I believe that part of the impatience with the Paris talks reflects the in-
creased confidence of the Vietnamese people and government in their own
ability to deal with the enemy. They have continued to spring back from the
Tet attacks with the attitude that they must do more for themselves, take on a
greater share of the burden, and make greater sacrifices. This attitude also in-
volves the feeling that they need not be as dependent on the U.S. as they have
been, and that in their own interest they should not be. I think this is a
healthy trend.

Although the Assembly is now in recess, the process of forming political
blocs in both houses continues. Just before the recess, pro-Thieu deputies for-
mally announced a new pro-government bloc in the lower house. Senator
Dang Van Sung expects to bring a majority of the Senate into his pro-
government grouping. The lower house bloc has 22 members while Sung ex-
pects about 32 of the 60 Senators in the upper house to join his new bloc.

I mentioned that the public image of the GVN has improved recently. At
the same time, VC attempts to mobilize and tax the population seem to have
backfired in many instances in III and IV Corps. There were many embit-
tered comments on the enemy’s cruelty and destructiveness as well as high
taxes.

IV Corps reports that pro-GVN and uncommitted people are generally
tending to disregard or disbelieve enemy promises and threats. This is evi-
denced in the way they are using roads and waterways increasingly despite VC
warnings. Urban people are tending to discount VC threats of new attacks.
Meanwhile, returnees are charging their defections to “disillusionment with
promises of success and glory, lack of advancement, hollowness of VC prom-
ises, and disregard for personal and family welfare.”

With both Thieu and Interior Minister Khiem very receptive to stepped-up
attack on VC infrastructure, Bob Komer and his staff have pushed through a
strong decree giving it vital Presidential backing. Wording of the decree
which Thieu told me yesterday he had signed is very close to that of our draft.
The most important result will be greatly improved military-police coopera-
tion. This will be a milestone in the key Phoenix/Phung Hoang program.

Meanwhile, Phoenix/Phung Hoang operations in Gia Dinh and Saigon it-
self have been greatly accelerated. [about 25 words excised]. All of these
operations are tied in with the new Capital Military District Command organization which has overall responsibility for Saigon's defense.

Komer's contacts in Thieu's office are most useful in the pacification business. For example, he has given Thieu a list of 50 ineffective and/or corrupt district chiefs. Last week the President wrote to Huong that all such poor district chiefs be replaced in two weeks. On Tuesday, AP carried the story of the impending wholesale shift of district chiefs, which it got from Vietnamese sources. This is a welcome change from the painfully slow bureaucratic process so typical of the GVN in the past.

Recovery from Tet is essentially completed in 11 provinces, and only four provinces (Quang Tri, Thua Thien, Vinh Binh and Binh Duong) are still less than 50 percent completed. Tet evacuees declined 33,000 to 172,000—of whom only 36,000 remain in temporary shelters. With care of Tet victims largely finished, attention has been turned to victims of the May–June "mini-Tet" attacks in Saigon/Gia Dinh. These evacuees remained at 116,000 in Saigon, but decreased to 34,000 in nearby Gia Dinh. Count of houses damaged more than 50 percent has stabilized at just over 20,000.

War risk insurance plan, which we have pushed hard, passed lower house this week.

Retail prices continued to decline this week. The overall index was down three percent. This decrease reflected primarily falling food prices. Most non-food items were unchanged, with the exception of white calico, which declined considerably as many small scale textile firms on the fringes of Saigon resumed operation. As of now, prices are only 5.4 percent above their pre-Tet level.

The decline in food items reflected increased deliveries to the capital area as supplies from the provinces continued at normal levels. In general, interdictions and harassments of surface roads into Saigon were down this week, which accounted for the relatively plentiful supply of goods reaching Saigon; the subsequent dropping of a span in a main bridge on Route 4 to the Delta was an unfortunate setback, however. Dalat cabbage dropped 50 percent following the repair of a bridge on Route 20 and the resumption of shipments from Dalat.

On June 28, the lower house passed the War Risk Insurance bill which now goes to the Senate. Action by both Houses on the 20 percent surtax bill was completed on June 28. The surtax on most domestic taxes is expected to yield VN$1.5 billion during the remainder of 1968.

We have reached agreement with the GVN for a $50 million deposit in a special account with the U.S. Treasury for the future purchase of U.S. rice. This should bring Vietnamese foreign exchange reserves down to the agreed $300 million level.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FIFTY-NINTH WEEKLY TELEGRAM, JULY 11, 1968  As mentioned last week, I shall try in this message to indicate where we stand at mid-year; to summarize the events, achievements, and shortcomings of the first half of 1968. This first section is an overview, followed by more detailed accounts on political, military, economic, and pacification developments.

The past six months were crowded with important events. The two major developments were, of course, the Tet attacks and your successful efforts to open talks with Hanoi. These stimulated, or at least accelerated, other significant developments: the formation of the Huong government, general mobilization, the founding of the pro-government political organization known as the Lien Minh, and the May–June attacks on Saigon.

Looking beyond the bare events of the past six months, I think what is important is the clear trend toward a stronger, more self-confident, more unified Vietnamese people and government. In the first instance, the Vietnamese responded to the Tet attacks with a spirit of unity, determination, and a willingness to sacrifice which has not been seen before in the course of this long struggle. The people did not support the Tet invaders; on the contrary, they supported a sweeping mobilization. The new constitutional government, only a little over three months old, did not collapse. On the contrary, the democratic institutions proved both reasonably effective and a source of psychological strength in the emergency.

The Republic of Vietnam Armed Forces did not falter and defect; on the contrary, the Vietnamese Forces generally fought well, drove the enemy out of the cities, swelled their ranks with new volunteers, and have since repeatedly shown increased combat effectiveness.

I think the new strength and self-confidence of the Vietnamese and their leaders was also reflected in the response to your March 31 speech and the subsequent opening of the Paris talks. Despite renewed enemy attacks on Saigon, including indiscriminate nightly shellings for weeks, and despite underlying apprehensions about American intentions, the people have remained calm and steady. Thiệu, moving with increasing confidence and acting in accord with the constitution, invited the highly respected Trần Văn Huông to form a new Cabinet. As a result, the Government of Vietnam probably has more popular support than at any time since “Big” Minh took office in the wake of the revolution against Diệm. Instead of street demonstrations,
there were debates in the Assembly; and since Huong took office, debates in
the uncensored press.

Also emerging clearly from the events of the past six months is the con-
tinuation of the process begun over two years ago when the military leader-
ship announced that they would organize elections for a constitutional Assem-
bly. Civilianization and the legitimization of the government began then, and
it has continued. Thieu has clearly opted to play the role of constitutional
President of all the people rather than the representative of the generals. For
him, this has involved both a reaching out to form alliances with civilian
leaders and some realignment of the military structure. For the generals, and
for Ky in particular, it has meant the acceptance of reduced political power.
These changes in the power structure were not made without hazard and cost,
but they were made and the government is better, stronger, and more effective
because of them.

As for the enemy, I think the Tet attacks and the decision to go to Paris
both reflect a realization that the overall trend of events is unfavorable to the
communist effort to seize South Vietnam by force. Both the all-out Tet mili-
tary effort and the agreement to open discussions with us represented major
changes in their tactics. If Hanoi hoped for a breakthrough from either or
both, they must by now be disillusioned. While most signs point to another
major military effort on their part (both Thieu and Ky believe this is inevit-
able), I think there is some possibility that, in the face of American firmness,
they may decide to reduce the level of violence and transform the struggle
into a primarily political conflict.

Accomplishments of the past six months as well as some of the remaining
problems will be covered in more detail in the following parts of this message.
To note some of the major achievements:

1) The Tet attacks were met and defeated with extreme losses to the
enemy. While suffering 1,300 Vietnamese military and 700 Americans killed
in action, from January 30 to February 7, friendly forces killed almost 25,000
of the enemy and captured nearly 5,000. By March 2, the enemy had lost
over 52,000 killed in action from the Tet attacks. We estimate that about half
the enemy forces committed were killed or captured.

2) All other important enemy offensive actions in the past six months
were decisively defeated. The enemy was unable to take Khe Sanh despite a
prolonged effort. A major threat at Kontum was broken up by friendly action,
particularly artillery and air strikes. The enemy was unable to maintain pres-
sure on Saigon and suffered 8,786 killed in action during the May 5–11 at-
tacks on the city.

3) RVNAF forces were expanded rapidly after Tet, partly as a result of a
sharp increase in volunteers and partly as a result of the mobilization effort.
Between January 1 and June 30, RVNAF strength increased by over 120,000
and now stands at approximately 765,000 men. This is 48,000 above the
force structure program for end FY-68. It is anticipated that by the end of
the calendar year, RVNAF strength will total 801,000; to this must be added
approximately 220,000 in paramilitary organizations, for a total of over one million men under arms. The magnitude of this achievement can perhaps be better understood when one realizes that the relatively secure population of 11 million under GVN control is the manpower pool from which these men must be drawn. This is 1/18 of the population of the United States. Equipment has been upgraded, morale and performance improved.

(4) The after effects of the Tet offensive interrupted and set back the momentum pacification had gained in 1967. Population under GVN control dropped from 67 percent at the end of 1967 to just under 60 percent by the end of February. Nevertheless, despite the diversion of massive resources to security and recovery efforts, we have been gradually regaining control over the countryside. By the end of June, population under GVN control had risen to 63.3 percent. Pacification assets have grown substantially. Collective personnel strength now numbers about 50,000. The number of RD and Montagnard cadre teams now stands at 777. RF/PF, the essential element in sustained territorial security, is receiving better equipment and training, and now is close to 100 percent of its assigned strength. The attack on the VC infrastructure has been stepped up and this is now being neutralized at the rate of over 1,200 a month. Leadership is being improved at the province and district level with the removal of incompetent or corrupt officials. The outlook for pacification during the remainder of the year will depend on whether the country will be subjected to new disruptive and destructive attacks as at Tet.

(5) Altogether some 892,000 Tet refugees were cared for and of these only 27,000 were in temporary shelters as of July 4. All Tet evacuees in Saigon have been resettled. Of the approximately 179,000 refugees created in Saigon/Gia Dinh by the May attacks, about 44,000 have been resettled.

(6) Prices rose dramatically following the Tet attacks, but they also declined rapidly and now stand at 14.7 percent over the December 26 level. While business confidence is still low and the economy generally sluggish, the economy effects of the Tet and post-Tet attacks have been largely overcome.

(7) The government was reorganized and strengthened by the elimination of a number of corrupt officials (17 province and 26 district chiefs have been replaced for reasons of incompetence or corruption); by some changes in the administrative relations between the provinces and the central government; and by the formation of the Huong cabinet. The Huong government settled in rapidly and is performing quite well, showing a greater willingness to assume responsibility and to take decisions than its predecessor.

(8) The National Assembly and the executive branch are learning how to work together without sacrificing their mutual independence. The Assembly has proved a responsible and a reasonably effective body. It has passed several major pieces of legislation, including the national budget, the general mobilization law, and the war reconstruction surtax. Well along toward final passage are other important bills, including a political party law, a press law, war risk insurance, "state of war" legislation, and a law organizing the supreme court.
Several efforts had been made to merge nationalist political groups into one unified, pro-government organization, but without success. Thieu has now taken a personal interest in this effort and the Lien Minh (Alliance for Social Revolution) was officially launched July 4, with both Thieu and Ky in attendance.

The Vietnamese government and its people still face many difficult, unresolved problems. The first of these is security. Despite the expansion of the RVNAF and its increased effectiveness, the enemy still retains the capacity to threaten the security of the cities and hamlets of the nation. Large areas remain under enemy control. As of May 31, he controlled 3 million people, or 17.6 percent of the population, while approximately 3 million more were in contested areas. While the enemy has suffered extreme losses, these have been largely made up by a record rate of infiltration, which still continues, and by forced recruiting.

The old problems of bureaucratic inefficiency and corruption still plague the GVN, and the leadership must apply constant pressure to make progress in this area. General mobilization has not made it easy to increase governmental efficiency.

While a good start has been made in building a united nationalist coalition of political forces to compete with the communists, it is only a start—and the hour is late. The nationalists have still to build real unity at the top and a strong infrastructure at the bottom of their Lien Minh. Thieu has moved the nation significantly closer to full constitutional democracy, but there remain many obstacles. His relationship with Ky is still not satisfactory, but it is tolerable. He does not fully control all of the generals. He must work harder at winning the cooperation of the Assembly. A genuine but loyal and responsible opposition is not yet on the horizon.

There are other weak areas. Civil defense has lagged badly. Ky dropped it without making any real progress. Although some 175,000 people are organized in civil defense groups, it needs to be widely expanded, needs more weapons; particularly some of the more highly motivated groups such as the Hoa Hao, the Catholics, and the Cao Dai can be more effectively utilized. The GVN also needs an effective information program here and abroad.

I think the above summarizes the principal difficulties that still lie ahead of us. But the Vietnamese people and their leaders bring much strength and determination to their task. If we are equal to the challenges we face, I believe they are also.

Political developments in the past half year were in every case conditioned and in many instances determined by the Tet attacks and the opening of the Paris talks. It was these two events more than anything else which made the formation of the Huong government both necessary and possible. The Tet attacks caused a growing lack of confidence in the Loc government, to the point where both the Assembly and the military in effect had begun to demand a change; the opening of the Paris talks convinced most if not all political leaders that a government with a broader popular base was essential in order
to give the GVN a strong negotiating position. And it was these two events also which persuaded Huong that the national situation demanded he abandon his retirement, and, as he put it, help “paddle, bail, row, or steer” the sampan of state.

While Tet and the Paris talks were profoundly unsettling in many ways, it must be said that they also tended to increase political stability and move the nation more rapidly toward full constitutional government. This was because after Tet there was a general recognition of the need for national unity and greater sacrifice. The urban population was aware of their own vulnerability for the first time, and they tended to close ranks politically. Tet and the Paris talks also ruled out any power plays by the generals. There were, perhaps, a few who did not see the overriding demand for stability, and the impossibility of a coup, but Vice President Ky was not among them. The need to present a strong and united image both at home and abroad—particularly in Washington and Paris—was compelling even from the point of view of dissatisfied military elements. This in turn made it possible for Thieu to assume more fully the constitutional role of president rather than representative of a ruling military clique.

The rivalry between Thieu and Ky was not dissipated in the first half of 1968, but it seems to have been partially resolved by Thieu’s growing ascendancy in the government and the steady erosion of Ky’s political power.

Perhaps the lowest point in the Thieu-Ky relationship was reached in early March. At that time Thieu evidently believed that General Loan was instrumental in causing the Assembly to refuse his request for decree powers in the economic and financial field. At least some of Ky’s supporters were talking about a coup or the amendment of the Constitution to permit Ky to act as prime minister. To his credit he gave them no encouragement.

I talked very plainly with both Thieu and Ky at that time. They both realized that the logic of the situation absolutely required that they avoid a destructive internal conflict. While neither was particularly gracious or skillful, they managed to move away from the precipice.

Believing that the solution to the problem was to engage Ky in responsible government work, we were instrumental in causing Thieu to give Ky, first, the chairmanship of the Central Recovery Committee, and later, the responsibility for running the civil defense program. Whether because Thieu did not delegate Ky enough real authority or because Ky simply cannot play second fiddle, Ky resigned from both positions after only a short period of time.

Despite these failures to employ Ky’s considerable talents and drive in constructive work, we are continuing to try to bring him into the decision making process. One device to this end is the regular monthly meetings which we have recently initiated between Thieu, Ky, Huong, several ministers, and ourselves. This seems to be working reasonably well. Another is the proposal for a small war cabinet on the GVN side which I have been urging on Thieu.
July 11, 1968

Ky’s political power has declined steadily since the election campaign of last year. The position of vice president does not offer any significant political leverage, and Thieu has gradually consolidated his position as president, a position which of course carries great power under the Constitution. The most dramatic evidence of Ky’s declining fortunes was the recent removal—partly deliberate, partly accidental—of a large number of his supporters from the government. These included not only a number of cabinet officers, but the powerful and often troublesome Director General of Police, General Loan. This diminishing of Ky’s power has not ended the problem of the Thieu-Ky rivalry, but it does make it less critical. Ky and some of his more able supporters are not being used, and that is a loss to the nation. Their capacity for destructive power plays is significantly reduced, however, and to that extent the Thieu-Ky problem is alleviated.

I will of course continue to watch this problem very closely in the coming months, and I will continue to try to ameliorate if not solve it. I think the best way to prevent Ky from becoming the focal point of dissident nationalist elements (for example, extreme anti-communist Catholic groups, the Dai Viets, northern refugee groups, and dissatisfied military officers) is to involve him fully in the negotiations problem. This is not without some risks, but it has been working well in our joint consultations of the Paris talks and I believe it can be done with profit for all concerned.

As noted above, the formation of the Huong government was a long step toward civilianization of the government, and it both reflected and furthered the decline in Ky’s political power. It also significantly broadened the popular base of the GVN. Huong is himself one of the most respected of SVN leaders, and he has in his cabinet several men who command political support from quarters where the GVN previously had only opposition. Among these are labor leader Dam Sy Hien and Buddhist lay leader Mai Tho Truyen. Also notable in this category are Au Ngoc Ho and Ton That Thien, both of whom have connections and influence in the more radical anti-military and previously anti-GVN camps.

Huong in office has taken hold of the job quite well, as have most of his ministers. There is no question but what this government not only commands more support but also is more able than its predecessor. Some had feared that Huong would prove too inflexible for the political maneuvering that is likely to be demanded of this government. This fear seems unjustified, as Thieu himself commented to me recently. While as tough as ever, Huong appears to be a good deal smoother in his political moves than he was in 1965.

This is not to suggest that there are no problems. Huong was obliged to drop Phan Quang Dan from his cabinet because of Dan’s ill-timed comments about contacts with the NLF. Foreign Minister Thanh has also been under fire in the Assembly and the press, though this seems to have died down. The appointment of Saigon Mayor Nhieu provoked a controversy over his alleged corrupt activities in the past. (Both Thieu and Huong seem to be persuaded that Nhieu is clean enough, if not perfect; the uproar was provoked mainly by
Defense Minister Vy’s objections to Nhieu, and Vy now seems content to stay on in the cabinet and drop the matter.)

It remains to be seen whether the Huong government can make good on its promises of cleaning up the government and making the administration more efficient and more equitable. A good start has been made to clean up the government at national and local levels, but as the process continues, Huong will not find it easy to get at the powerful vested interests in and out of the military. The lifting of censorship and the release of a large number of persons under illegal detention won applause from many quarters. (Extreme anti-communist northern Catholic factions are restive, however; Tri Quang’s release did not please them, though it was generally regarded as a democratic move.)

Following Tet, the general feeling of the need for more national unity found expression in two new political organizations, the National Salvation Front and the Free Democratic Force. The Front was launched by Tran Van Don February 18, and the first meeting brought together most of the principal political leaders of the nation. Unfortunately the Front was soon faced with a rival organization, the Free Democratic Force, which was known to have been inspired by President Thieu. Most Vietnamese concluded that the Front was Ky’s vehicle and the Force, Thieu’s. Both organizations were hurt by being caught up in the Thieu-Ky rivalry.

Realizing the need for a strong nationalist political organization to back the government now and face the communists in the future political struggle, President Thieu decided that he would have to take a more active and more public role in fostering political party development. He stated the need frankly and pledged his support to both a pro-government party and a loyal opposition in public speeches last month.

The Lien Minh is too new to judge its potential with any certainty. It does not now have a unified leadership or a strong base in the people. Nevertheless, it is by all odds the most hopeful nationalist political organization to appear so far. With continued assistance and leadership from Thieu, continued acquiescence by Ky and Huong if not outright support, and enough time for careful rice roots organization, the Lien Minh should give the nationalist elements a base from which to face the communist political threat on relatively favorable terms. The outcome of any future political conflict will of course depend very heavily on the terms of the peace agreement. The Lien Minh will probably not fare well if it is deprived of support from the present legal framework, i.e., the constitutional government under Thieu.

As noted above, public opinion in Vietnam was greatly influenced in the past half year by Tet and the opening of the Paris talks. Both events tended to harden opinion against the communists. They also tended to focus public opinion more than ever on the basic questions of peace and war.

Profoundly weary of war, nationalist Vietnamese of most political persuasions are also profoundly fearful of the consequences of a peace settlement over which they suspect they may have too little influence. While consider-
ably reassured by our firm posture and our public statements, most Vietnamese still view the Paris talks with more fear and resentment than hope. They fear that the American commitment to the government and people of South Vietnam will weaken under the pressure of domestic public opinion in a presidential election year. Vietnamese also resent the fact that the Hanoi regime—in this war—enjoys the prestige of sitting as an equal at the conference table with the United States, while the representatives of the people of South Vietnam—who are the victims of aggression—are relegated to what they consider the ignominious role of observer. Their full participation in substantive negotiations remains a cardinal element in the GVN’s position, and, indeed, survival.

Coupled with this widespread fear and resentment, however, is a growing (and more healthy) realization that it is for the Vietnamese people themselves to secure their own future. Especially since Tet people have begun to understand that they must in sheer self-interest begin to repair the shortcomings in political organization, in administration, and in social discipline so evident in Vietnamese society.

There is far greater agreement among nationalist Vietnamese of varying political inclinations about what would not be acceptable in a possible peace settlement than about what form such a settlement might take. Among the negatives: there can be no coalition government with communists, no ceding of territory, and no dealing with the NLF as a political entity. Individual members of the NLF can be reintegrated into Vietnamese society, enjoying all the constitutional rights of Vietnamese citizens, but only after they have laid down their arms and agreed to accept the constitution—which explicitly prohibits any form of communist activity.

I noted my basic estimate of the enemy’s political intentions in the general section. I think a half year summary must also include mention of the Alliance [of National Democratic and Peace Forces], a political phantom with which the NLF now shares the enemy’s propaganda spotlight.

The Alliance, or rather the Saigon and Hue committees of it, was first announced by Liberation Radio during the Tet offensive. It fell from sight shortly thereafter, only to re-emerge with considerable fanfare in mid-April with formation of a national alliance. Hanoi’s purpose in creating the Alliance seems to have been to create a new “non-communist” group which might attract more support than the NLF and which could be used as a non-communist “representative of the Vietnamese people.” The Alliance has not been able to attract significant non-communist political support and has indeed had relatively little impact. The communists may have great plans for it and they probably do, but at present it appears more as a shell, a device being held in reserve by the communists for possible use in the political maneuvering attendant upon moving towards a negotiated settlement in South Vietnam.

Performance of RVNAF during the Tet attacks was generally good, in some cases superior. While performance was sometimes marred by looting,
the RVNAF generally improved its image in the eyes of the people in this critical period.

Since Tet the RVNAF has continued to improve its fighting capability. Vietnamese units have frequently shown a new confidence and a new aggressiveness. In part, this is due to the better weapons we have provided. All infantry, marine, airborne, and ranger battalions now have the M-16. The next priority is the RF/PF: by the end of July all RF/PF, PRU and advisory units in Gia Dinh province around Saigon, some 27,000, will be equipped with the M-16. A MACV study on the effect of equipping RVNAF units with the M-16 shows not only a significant increase in firepower and general capability but also an impressive rise in confidence, morale and esprit.

Because of their crucial role in territorial security, another important priority is the upgrading of the Regional and Popular Forces. Measures underway not only include increased force strength and improvement in equipment, but also the operation of some 354 Mobile Advisory Teams, Advisory Logistic Teams, increase in pay for the Popular Force, the establishment of 177 group headquarters, and awards and decorations programs.

Probably even more important than the new weapons in improving RVNAF performance was the experience of meeting the best the enemy could muster and defeating it soundly. While in the U.S. there was a profound psychological shock as a result of Tet, the Vietnamese, including the armed forces, emerged with a strong and effective boost in morale.

After Tet, the RVNAF was expanded rapidly, both by draft calls and by increased voluntary enlistments: for example, during February the RVNAF received 10,084 volunteers, as compared with 3,924 in February of 1967. As of January 1, RVNAF strength was 643,116. By mid-June this figure had climbed to 757,141. Final statistics are not yet in, but we believe that by June 30, the RVNAF had 765,000 men under arms, an increase of well over 120,000 men in six months.

Under the General Mobilization Law signed into law on June 19, all men aged 16 to 50 are to be mobilized. Those from 18–38 are eligible for immediate draft calls; those age 17 and 39–50 can be called later if RVNAF manpower needs should require them. Drafting of 18-year-olds was well underway by the end of June. In some cases, men aged 17-and-a-half are being called up.

Major enemy offensive actions during the past months were the Tet attacks, the attempt to take Khe Sanh, the May attack on Saigon, and the threat in the Kontum area. The more ambitious effort was the Tet offensive at the end of January emphasizing widespread coordinated attacks on many important cities and towns of the Republic. The enemy intention was to seize control of population centers, generate revolt and defections among the populace and the RVNAF, undermine the people's morale and weaken, if possible destroy, the government. It must be said that he gained a very considerable psychological impact abroad, particularly in the US. But here, despite heavy material damage and a set-back to security and pacification in the countryside,
no significant enemy objectives, military or political were achieved; and the losses in personnel were extremely heavy.

The Khe Sanh combat base was also a Tet objective. During February and March, the NVA 304th and 325C divisions and supporting units tried repeatedly to mount attacks on Khe Sanh but were forestalled by massed air attack/artillery fire. By late March, these forces had abandoned their offensive posture.

Midway in the period the pattern of enemy activity was altered. To avoid the heavy cost of the Tet period, sharp attacks were launched at a succession of points to give an impression of momentum. Increased infiltration facilitated these and other operations.

On May 5 the general offensive was renewed with attacks on Saigon and some 190 other actions, primarily attacks by fire. Enemy casualties again were heavy. In May and June an attempt by the NVA 1st and 325C divisions, the latter recently deployed from Khe Sanh, to mount an offensive in the Kontum area was abandoned in the face of massed air/artillery fire. In mid-June preparations for new assaults on Saigon became apparent although execution seems to have been delayed by vigorous friendly ground sweeps and Arc Light strikes.

Perhaps the most noteworthy trend of the period affecting the enemy was the increased NVA troop domination of the war. An estimated 98,000-113,000 [North Vietnamese] arrived in RVN. This included the 340th and 320th divisions into I CTZ in January and elements of the 308th Division into the same zone between March and May. Total enemy recruitment in RVN was 31,500 as against estimated losses of 151,900. Enemy strength on January 1 was estimated at 225,000-250,000 and on June 1 at 190,000-228,000. The estimated NVA proportion rose from 62 percent on January 1 to 72 percent on June 1.

After the buildup of pacification momentum and resources in 1967, we confidently expected further gradual acceleration in 1968, but the after effects of the enemy Tet offensive seriously interrupted this favorable trend. Population in ABC hamlets (plus towns) dropped from 67 percent at end-1967 to just under 60 percent by the end of February. It is important to remember that the Tet offensive did not specifically target on the hamlets. On the contrary, our losses occurred primarily because GVN forces were pulled in to defend the towns.

Since end-February we have been gradually regaining control over the countryside, despite the diversion of massive resources to security and recovery in the towns. By mid-year, population in ABC hamlets—our best available pacification measurement—had risen to 63.3 percent. Now that the momentum of pacification has been resumed and more assets are available, we expect to be able to make progress again in the second half of 1968.

One main reason is the further growth in pacification assets. Their collective strength—RF/PF, police, RD teams, APTS, census grievance cadre, etc.—has grown by 85,000 from 426,000 at end-1967 to about 500,000 by
mid-1968. RD and Montagnard cadre teams now number 777. Assigned strength of RF/PF is close to 100 percent. Funds are adequate. Our pacification organization is intact. Of course it bears constant repetition that these pacification forces are entirely Vietnamese—and the lowest grade GVN resources at that. They are dispersed across the entire region of SVN, in many cases improperly, and their leadership still leaves much to be desired. Thus, pacification will continue to move at a Vietnamese rather than American pace.

Nonetheless, there are encouraging developments. Since sustained local security is the essential first step of pacification, we have finally gotten the GVN moving on upgrading the vital RF/PF. They have grown to 1,053 RF companies and 4,561 PF platoons. The number of automatic M-2 carbines and Browning automatic rifles has nearly doubled in RF/PF units. Serious deficiencies still exist—slow or undependable resupply, insufficient training, shortage of operational radios, and thin unit leadership. In sum, the RF/PF forces are still relatively low quality but getting stronger and slowly better.

An even brighter spot is the stepped-up attack on the VC infrastructure, which Komer has personally pressed continuously. In the last six months, we have neutralized about 6,000 identifiable infrastructure cadre—and are now running at a rate over 1,200 a month. The GVN is beginning to move ahead the program—41 provinces have functioning committees and [seven words excised] have been set up. Moreover, Thieu has pushed the effort nationally by signing on 1 July a strong decree setting forth organization and responsibilities.

By dint of much pushing and prodding, we are also getting the GVN to put in stronger leadership at the key district and province level. Because pacification is 99 percent GVN business, Vietnamese leadership determines its course. By working directly with Thieu and providing him with frank appraisals, we have been quite successful in getting poor officials replaced. With removal of the pitiful Chau Doc province chief this week, the score since September 1967 stands at 17 province and 26 district chiefs. Their replacements have been much better. In addition, we have influenced removal of the corrupt mayor of Vung Tau, five police chiefs, 13 Chieu Hoi chiefs, seven refugee chiefs and numerous lesser officials. While leadership at district level is still poor, Thieu is finally acting on our private list of the 50 worst.

While rural economic revival, so important to gaining the farmers’ support of the GVN, has not yet reached pre-Tet levels, we are working hard on it. Rice is not yet flowing normally to Saigon from the Delta, the paddy price to farmers is depressed, and roads and waterways—while physically open—are not as heavily traveled because the psychological effects of Tet linger on and they are still subject to harassment. The enemy is clearly seeking to strangle the rural economy and isolate the cities, but the GVN, with massive US help, is keeping major lines of communication open. Bridges are repaired more rapidly than ever. Upgrading key Route 4 has been almost completed as far as Can Tho. No significant shortages exist.
Chieu Hoi ralliers are still disappointingly low, with the 1968 rate running only one-third that of the first half 1967 surge. However, the monthly average is now running over 1,000 returnees, and the percentage of NCO and higher level Hoi Chanh is about 250 percent larger than last year. The current trend is upward, whereas in the last half of 1967 it was dropping.

Next, self-defense is beginning to catch on. The Tet offensive led increasing numbers of civilian and civic organizations to appeal to the GVN for arms to defend themselves. After several false starts, the GVN is finally moving to organize the effort sensibly. Few arms have been distributed and self-defense does not yet contribute much to pacification. But within six months it could.

Many pacification resources and much of our energy had to be diverted to urban recovery following Tet. Bob Komer and his people did a remarkable job of energizing the GVN. First priority had to be given to caring for 892,000 Tet evacuees, to helping rebuild more than 120,000 homes destroyed and 31,000 others damaged, and to restoring shaken public confidence. Project Recovery has been a success story, although marked by many frustrations. Cash relief and resettlement allowances have been distributed to about 100,000 families; 62 percent of cement needed and 76 percent of roofing requirements have been distributed. Six thousand family apartment units are being or are soon to be constructed in Saigon/Gia Dinh. An ARVN/US engineer task force is at work clearing rubble, laying out housing sites, and assisting erection of pre-fab housing in heavily damaged areas.

Another 179,000 evacuees were created by the May–June attacks against Saigon/Gia Dinh. GVN performance in caring for these people has been remarkable. Victims of May-June attacks are already being resettled. The all-time high of 1,650,000 refugees/evacuees being cared for in May had diminished to about 1,400,000 at end-June. Growing US/GVN concentration on this huge refugee burden is bearing fruit, though the burden still taxes our best efforts. We expect a further decline, but over a million refugees will probably require care during the rest of 1968.

In sum, the outlook for pacification is again reasonably favorable, barring a sharp decline in Vietnamese morale or another Tet-size attack. RF/PF expansion and improvement will continue to pay off. The attack on the VC infrastructure should accelerate. Our refugee and recovery burden should decline. The Chieu Hoi rate should pick up. Solid gains will be slow at best, however, as pacification is the most difficult chore we confront in Viet-Nam. Continuing weaknesses are the slowness of local administration to improve, the defensive-mindedness of pacification forces, the GVN’s complex and slow working pacification organization, and the need to spread our assets between cities and rural areas. We are working hard on these problem areas and many others.

The economic picture in Vietnam changed radically in the last six months. 1967 had been a year of progress toward economic stability, of spreading economic prosperity into the countryside, and of moderate economic growth. Prior to the Tet offensive it looked as if 1968 would see a continuation of all
these trends, with the main problem—but a manageable one—being the containment of inflationary pressures which were beginning to build up from the monetary side during the last two months of 1967 and in January 1968.

The Tet offensive came at a time when markets were closed for several days and households were stocked for the festivities, and the shock of the fighting on the consumer was consequently cushioned. However, when housewives began to venture forth and found markets still closed and all items scarce, prices soared. On February 12, a first comprehensive USAID check showed the retail price index 58 percent above January 27. This peak was followed, however, by an almost uninterrupted decline over the next seven weeks as supply conditions in Saigon were gradually restored. By March 18, the index approximated the January 27 level.

The price declines took place against the background of rapid monetary expansion. By the end of March the money supply had risen VN$9.6 billion above the January level. This rapid increase of the money supply was mainly due to a drastic drop in imports (down 15 percent during the first quarter of 1968 from the 1967 quarterly average) and an even greater drop in GVN revenue collections (down 23 percent below the 1967 quarterly average). Government expenditures, on the other hand, remained roughly at the previously expected level.

The contradiction in the development of prices and the money supply is explained mainly by a marked shift in consumer preferences from all types of spending to hoarding, and hoarding in the most liquid form available to the average citizen, i.e., in piasters. There was little evidence of capital flight and the black market dollar and gold rates remained remarkably stable.

The recovery of the economy from the shock, disruption and destruction of the Tet offensive was slow, particularly in the business sector. Imports continued to lag and businessmen were more interested in reducing inventories than making new investments.

However, trade between the countryside and Saigon recovered relatively rapidly. By April many parts of the economy had made a substantial recovery from Tet, though activity in the business sector remained sluggish. Tax collections were at a historic record for any single month. In order to combat the growing monetary overhang and finance the increased costs of general mobilization, the GVN imposed increased rates for austerity taxes on imports and submitted a proposal for a 20 percent surcharge on domestic taxes to the Assembly. The movement of foodstuffs from the countryside into Saigon (with the exception of rice) was partially back to normal.

The May offensive and the subsequent rocketing of Saigon was of course a setback to the gradually recovering economy. However, the actual damage done by the offensive was moderate compared to Tet. The effect on prices also was much less severe. From April 29 to May 6, the USAID index rose by 21 percent, but fell again by 9 percent during the following two weeks. The main economic effect of the offensive and of the shelling of Saigon may turn out to be a further setback to the recovery of business confidence.
At mid-year, the Vietnamese economy is still sluggish. Business confidence reflects uncertainty, new investment activity is very limited, and disinvestments and some capital flight have probably taken place. During June both the free market dollar and gold rates increased significantly (by 4.7 and 7.7 percent respectively between May 27 and June 24), but given the disruptions of war and the harassments of the transportation system, prices have remained remarkably stable (the USAID index stood only 14.7 percent over December 28 on July 1).

A large monetary overhang is being created, and it may cause serious problems at some future date. The government is countering this to some extent by tax increases. The 20 percent surcharge on domestic taxes has been passed by the National Assembly. The government has also increased import duties, installed the Brussels Code, will probably consider increases in POL taxes by decree and is considering further increases in customs duties. Otherwise it is concentrating for the time being on better enforcement.

For the moment, the main problem is to help the private sector to recover and keep going despite the risks and uncertainties of war. This, of course, depends mainly on the security situation, but economic policy can also play its part. The passage by the lower house of the War Risk Insurance bill and the passage and beginning implementation of the Reconstruction Loan Fund should help. A revised rice policy is urgently needed and the GVN is now concentrating on this problem.

During the past half year USAID has continued its efforts to build a stronger economy while assisting in the relief and recovery effort. USAID provided money, cement, roofing, and other commodities for the recovery effort. At the same time, regular programs went forward on schedule, for example, the goal for planting of improved rice was exceeded, and the sale of fertilizer more than doubled over the same period for last year. School construction went forward despite the enemy attacks and medical training programs were stepped up.
FOR THE PRESIDENT FROM BUNKER:

TELEGRAM [unnumbered], JULY 26, 1968 Since the major action of the past week took place in Honolulu preceded by the visit of Secretary Clifford and General Wheeler here (and since the situation here has been relatively calm and uneventful), there is hardly material for my regular weekly message. Instead, I thought it would be useful to send you a brief message giving my estimate of the reaction here to the Honolulu meeting.

Since my return to Saigon I have tried to get a general feel for the reaction here to the Honolulu meeting and the resulting communiqué. Overall, the reaction appears to be very favorable. Judging from the comments of officials and various opinion leaders as well as local press reports, there was a widespread expectation that Honolulu might produce some important and rather unpalatable changes in our joint policies. The strong and unqualified reaffirmation of our support for South Vietnam, plus the statement about the Government of Vietnam role in the peace negotiations, appear to have come as a very welcome surprise.

I have seen Thieu twice since he returned and on both occasions he observed that the meeting had gone very well, and he was happy with everything about it. He noted that he had called in twenty influential members of the Assembly, committee Chairmen and bloc leaders, just before leaving for Honolulu in order to “ask them what they wanted him to say to President Johnson.” On his return he saw them again almost immediately (and before his press conference), and said that their reaction had been one of approval and pleasure. Noting that Vietnamese press comment was almost universally favorable, Thieu said he believes the meeting will put to rest many of the suspicions that have troubled the nationalists here.

Thieu expressed much the same sentiments in a press conference on his return from Honolulu. In opening his remarks, Thieu said that you had agreed with his policies, and he stressed the communiqué pledge that the U.S. will support and assist the Vietnamese as long as our aid is wanted and needed. He went over the communiqué in detail, in effect translating it into Vietnamese for his audience; he plainly regarded it as a considerable triumph and wanted everyone to understand what it meant. His manner was confident and relaxed; as one daily paper put it, he had the air of a winner.

Foreign Minister Thanh appeared on television July 23 to answer questions about the conference and the communiqué. The first question reflected what has been the foremost fear of many here—the question being simply,
“Will the U.S. force a coalition government on Vietnam?” Thanh quoted directly from the communique, then emphasized that it was the President of the United States who had made that statement, not a senator or a candidate for office. Thanh stressed the assurance that the U.S. will continue its support and assistance to the people and government of Vietnam as long as such aid is needed and desired. He also made much of the fact that the U.S. has publicly agreed that the Government of Vietnam should play a major role in the negotiations leading to a settlement. He presented this as a decided success for the Government of Vietnam.

Both in a public statement and in a private conversation I had with him he characterized the conference as a great success. Similar remarks were made by Minister Vu Quoc Thuc in a private conversation with Embassy officers. Prominent Chinese businessmen have told us that they believe Thieu returned from the conference with greater strength and prestige. Several of my diplomatic colleagues have also told me of the widely favorable Vietnamese reaction they have encountered.

With only one important exception, the local press has interpreted the meeting and the communique as an important achievement for Thieu. A number of papers note that the communique and public statements made at Honolulu contain nothing new, but they find great encouragement in the restatement of American support. Tu Do, for example, wrote that “now the Vietnamese people have more confidence in the American leaders, and realize that the disturbing statements of certain U.S. politicians do not affect the basic policy of the United States in Vietnam.”

Some Vietnamese find the communique and the meeting literally too good to be true. Senator Tran Van Lam, for example, said privately that the communique is so good that a number of Vietnamese think it can’t be true [ten words excised] and asked bluntly if he could believe in the communique. When one of our officers responded by pointing out that it was signed by two presidents, [he] said he felt as if someone had given him a very large sum of money—and he couldn’t figure out what might lie behind the gift or even if it was really true.

Some have focused on particular parts of the communique to express reservations. The influential daily Chinh Luan, for example, has expressed grave doubts about the formulation “full participation in political activities to all individuals and members of groups who agreed to renounce force and to abide by the constitution of Vietnam.” The editors of the paper see this phrase as a “set-back or, in clearer terms, a major failure” for the policy of the Government of Vietnam. Lower House Deputy Huynh Ngoc Anh told Embassy officers that he is very doubtful about the one man, one vote idea. His concern reflected that of some others who do not entirely understand the formula and are worried about how it may be applied in the future. (Foreign Minister Thanh, in his July 23 TV interview on the conference, explained it primarily in terms of the Chieu Hoi and national reconciliation programs.)
In spite of the doubters—and Vietnam is a nation of men from Missouri—I think it is fair to say that the Honolulu meeting and communiqué were a much appreciated and needed shot in the arm for the Republic. Thieu has been personally strengthened and vindicated in his policy. The wind has been taken out of the extremist sails for the moment; they have nothing to demonstrate about. The nation as a whole is reassured about our intentions and steadfastness. Although this may seem to some quarters in the U.S. as not required, it is most needed psychologically to these people who have been let down before in their long struggle for freedom. While the meeting did not per se solve our problems here, it should make solutions more possible. Thieu's increased prestige and stature should give him somewhat more flexibility and room for maneuver when we get to substantive negotiations for a settlement.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY SIXTIETH WEEKLY TELEGRAM, AUGUST 1, 1968  By com-
parison with the first six months of the year, July has been relatively unevent-
ful. The major development was the Honolulu conference from a Vietnamese
viewpoint most noteworthy because it reaffirmed American determination and
signaled no dramatic new departures. Here in Saigon, it has been in many
ways a month of waiting; first and foremost for the long expected enemy at-
tack, for some kind of breakthrough which would lead to real peace talks,
waiting to see what political developments in the U.S. may mean.

While there were many indications that the enemy planned to attack in
July, he has not done so. I think the answer is that his timetable has been
upset by our vigorous counteractions. There are some who read this decrease
in the level of violence as a signal of a deescalation to match our own. This
seems to me unlikely on several counts.

Enemy preparations for an offensive operation have been very much in
evidence. Infiltration has held at record rates and may have reached an all
time high in July. Interrogations and captured documents are unanimous in
predicting another round of attacks. Terrorists activities have been stepped
up and now approximate the pre-Tet level.

In the second place, the enemy has not told us he is deliberately showing
restraint. As far as we are aware, he has also refrained from saying this to any
third party. If he intends the lull in fighting to be a signal, he has been at
some pains to conceal it. Certainly, the militant tone of his propaganda has
not changed.

Thirdly, the enemy probably feels he needs at least one more round of at-
tacks to strengthen his posture in negotiations. Both Thieu and Ky have told
me they believe it “inevitable” that Hanoi will attempt to go all out once
more in an effort to make an impression on American opinion; that Hanoi be-
lieves one more dramatic show of offensive capability will so affect American
domestic politics that we will be forced to make the major concession they
seek as their price for ending the war. I also believe that their major objective
is opinion in the United States, for I feel they must be convinced by now they
cannot achieve any major military success, but that their hope is to weaken
our resolve.

Political activity during the month revolved in large part around the ques-
tion of the government’s position on a peace settlement. Private discussions,
both in and out of government, covered a wide range of proposals and alter-
natives. Particularly noteworthy was the considerable discussion of the possibility of somehow converting the NLF into a legal—and law abiding—political party. This heretofore very sensitive subject was even touched on in public, albeit in very vague terms, by two well known politicians.

For the most part, however, public consideration of a future peace settlement has been confined to the GVN line. The GVN has tended to harden its public posture both by word and deed. This, I think, springs from two main factors: (a) the GVN feels it must enter any future peace talks with a tough maximum position from which it can retreat without too great a loss; and (b) the government is under heavy pressure from a combination of opportunistic political elements and sincere nationalists to reiterate and demonstrate its firm posture.

The GVN reaction to these pressures was demonstrated in its inept handling of the case of Truong Dinh Dzu. I had warned Thieu before the trial what the reaction would be, but he apparently felt he had to go through with it. The outcry in the U.S. and abroad which has followed on the arrest and sentencing of Dzu is understandable, but to a large degree the action is understandable as well. It has to be judged in the light of wartime rather than normal standards; it has to be judged in light of the background of Dzu himself, his known unscrupulous and opportunistic character, and the very real fear that he might in fact lend himself to exploitation by the enemy; it has to be judged in light of apprehensions which existed here about possible shifts in U.S. policy and attempts by opportunists to exploit the resulting uncertainty among the public. In pointing out to Thieu yesterday that the reactions I had predicted had taken place, he replied that the government felt it had to take this action to protect itself against the very strong possibility that Dzu could be bought or subverted by Hanoi, and in view of the fact that he had abused the government’s good will in releasing him from detention by immediately advocating coalition. He said, however, that at an opportune time, perhaps on Independence Day November 1, he would consider granting him amnesty. He assured me also that he had no intention of taking any similar action against Dr. Dan.

The efforts of the Huong government to root out corruption continued throughout the month. Huong told me that he had given the new mayor of Saigon, Nhieu, and the Director-General of National Police, Colonel Hai, three months to present concrete results in cleaning up corruption. We have had reports that both the police and the city administration have made considerable progress in their effort reduced corrupt activities, and Huong told me this week he felt that some good progress had been achieved.

While determined to press ahead in the attack on corruption, Huong and his supporters have also become aware of some of the difficulties they face. Huong claims that Vice President Ky is personally involved in such things as illegal traffic in opium and arms; and that corruption at such a high level makes it exceedingly difficult to reform the government. Minister Mai Tho
Truyen, charged by Huong with chief responsibility for fighting corruption, recently told us that his task is almost overwhelming. Complaints come in faster than his Inspectorate can deal with them and it is usually very difficult to get evidence that will stand up in court. The high cost of living and low wages for civil servants encourage petty corruption at the lower levels.

Truyen is working on several measures which he hopes will serve to prevent future corruption as well as reduce present corrupt practices. These include legislation which will require officials to declare their resources, guaranteeing civil servants a minimum standard of living in order to remove the necessity for petty corruption at lower levels, and administrative punishment for officials on whom the Inspectorate cannot collect evidence which would stand up in court.

As I reported to you in Honolulu, the Vietnamese reacted to the Tet and May/June attacks with renewed determination, more self-confidence and a willingness to carry more of the burden of the war themselves. While July was in many ways a waiting period, this spirit continued and the Vietnamese did not waste their quiet month. They continued to move ahead with general mobilization, expanding and improving their armed forces, consolidating the defense of the Saigon area, and preparing with us for the attacks which they expect the enemy to launch. Our aggressive joint counter-actions undoubtedly have upset the enemy timetable and indeed I think there is the possibility that they may prevent the enemy from getting his attacks off the ground. In this case, I would expect that the enemy may try to make a virtue of necessity, claim that he has reduced the level of violence, and attempt to transform the struggle into a primarily political conflict.

Also during July, Thieu quietly but firmly continued to consolidate his position as constitutional President, while Huong and his cabinet settled into their jobs more effectively. The Lien Minh was officially launched this month; organizational activity has not been as rapid and effective as we had hoped, partly because Tran Van Don has been out of the country, but the Lien Minh is being further developed. As an example, Thieu described to me his plans for creating an effective women’s organization as a part of it, emphasizing that the Viet Cong have made the working class women a special target and observing in passing there are more women voters than men in Vietnam. The refugee problem has been much reduced and pacification has registered new gains. July, was, in short, a period of unspectacular but good progress.

As I noted earlier, the GVN has in public tended to harden its posture on the various questions concerning a peace settlement. Directly related to this hardening is an increasingly tough attitude toward elements who espouse contrary positions. In part, this GVN posture is a reaction to various internal political pressures. Before Honolulu, the lower house issued a recommendation to Thieu calling for a time limit on the Paris talks, urging that talks be ended if infiltration increased or shelling of cities continued, and rejecting any peace solution involving a coalition government, neutralism, or a buffer zone. Shortly thereafter, the lower house Independence Bloc held a press conference
to discuss the Huong government’s “tolerance of overt propaganda for the NLF.” Following Honolulu, Dai Viet Senator Ngai attacked the Prime Minister on the floor of the Senate for allegedly saying that NLF originally had contained some nationalist elements; he was supported by Catholic Senators as well as his own Dai Viet backers.

Behind the scenes pressures exerted by militant Catholic groups and some military elements contributed to the demand that the GVN take a tough position.

Huong responded with several statements and actions. On July 14, he told newsmen the government would press for “the eradication of elements serving the communists, even if the government was criticized.” He said, “We must do what must be done even if we have to answer for our acts before the law.” Again later, he said that “elements who by their acts or declarations propagandize in favor of the communists will be severely punished.”

These statements were made in defense of GVN actions against dissident elements. Only July 12, the GVN tried the leadership of the communists Alliance in absentia and condemned them to death. On the same day, the leftist student magazine, Sinh Vien, was seized and its editor ordered arrested, on the ground that the magazine had advocated coalition government. On July 25, the student editor of Sinh Vien was sentenced by the special military court to five years of hard labor. On the following day, Truong Dinh Dzu got the same sentence from the same court.

While from our point of view, some of these statements and actions were ill advised and badly handled (I have already commented on the Dzu trial), I think we have to recognized that there were also some valid reasons for the GVN to act as it did. Both Thieu and Huong are reasonable men, and they have made it clear in private talks with me and other members of the Mission that they understand very well the full dimensions of the peace problem. To accomplish a settlement, however, requires that they avoid a confrontation at this time with their political opponents, both civilian and military. I think the recent GVN actions against dissidents were probably designed primarily to avoid such a confrontation, thus insuring that the Huong government would not now find itself hamstrung or perhaps turned out by its political opponents. The GVN may soon need all its energies to meet enemy attacks and a show of internal disunity now would encourage Hanoi to remain obdurate.

The trial of Dzu should also be viewed in the light of Huong’s efforts to try to release persons under illegal detention although this factor was clearly a secondary one. More than 1,500 persons have been released recently as a result of reviews of their status by special committees which Huong set up in every province and autonomous city. Nearly 100 others are to be tried, while something over 1,100 await a decision.

As I reported in my half year round up, the Thieu/Ky rivalry has been much reduced in importance by the decline in Ky’s power. Some continuing capacity for mischief which still resides in Ky camp—as well as its ineffectiveness—was demonstrated by a July 21 combination press conference
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and requiem service held for the GVN officers killed in the June 2 accident in Cholon. Mimeographed copies of letters from the six widows to President Thieu and me were distributed. The letter addressed to me which I have never received expresses the widows’ fear of an American betrayal of Vietnam. The letter to Thieu asked the President to demand that the U.S. limit indiscriminate and destructive acts against innocent Vietnamese and behave in a proper and worthy manner towards the families of the victims of unintentional and intentional mistakes. The widows also reportedly permitted the press to see a hand-written statement which termed the helicopter accident a “big question aimed at eradicating the anti-communist fighters of Vietnam and the comrades of Vice President Nguyen Cao Ky.” Mrs. Ky attended the service. Shortly after the ceremony, three of the widows withdrew their names from the letters.

In a joint ARVN/MACV press conference, the facts of the accident were made clear when the GVN, after some prodding from us, acted to release the finding of the investigation. The matter now appears to be closed. While the agitation of this incident may have been the work of some of Ky’s associates, the presence of Mrs. Ky raised questions of the extent of his knowledge and responsibility for the affair.

Shortly after the requiem press conference, Ky, in talking to a Mission officer, criticized Huong as too old to run the government effectively and predicted that his tenure would be short lived. He added that he intends to remain aloof from any participation of the government other than that required of the Vice President under the constitution. I think that Ky is still not happy with his reduced status and blames us in part for it. Nevertheless, while he may not be above trying to embarrass us occasionally, I think he also recognizes the impossibility of any power play at this time. I anticipate that his power will decline further in the coming months.

Hanoi continued to push the Alliance during July, giving it more prominence in its propaganda than at any time since the founding of the organization. Ho Chi Minh on July 20 listed the founding of the Alliance along with the “general uprising and offensive” and the “shooting down of the three-thousandth plane” as a major accomplishment of the past months.

In mid-July the Alliance issued its first major statement since May. Principally devoted to refuting some of the basic themes which we have advanced in the Paris talks, the statement also seems to offer mediation between the U.S. and the NLF. It reads in part, “We have clearly stated that we are ready to talk with the U.S. Government, which is a concerned party in the war, and to contact and talk with the National Liberation Front, which is fighting foreign aggression, in order to end the war soon, to reestablish peace and to regain the national independence and sovereignty.” This seems a fairly clear indication that Hanoi hopes to use the Alliance as some sort of channel or middle party between us and the NLF.

The Alliance also bitterly attacked Prime Minister Huong and his government in a July 14 statement. It accused Huong of “many blood-stained
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"crimes" against the Buddhists in his first Premiership and calls him stubborn, stupid and a shameless traitor. The attack suggests that Hanoi may have concluded it cannot deal with Huong or at least that the trial of Alliance leaders has made it impossible for the Alliance to play any role vis-à-vis the Huong government.

MACV now believes that present intelligence indicates enemy intention to launch an all-out series of attacks around the middle of August. Main targets are expected to include Saigon, the Quang Tri City–Hue area, the eastern DMZ, the area southwest of Danang, and Banmethuot. Interrogations and captured documents indicate that the enemy believes August will be a month of intense fighting. Most probable date for an attack on Saigon seems to be somewhere between August 10 and August 20.

The three enemy divisions which have threatened Saigon in the past have been pulled well back from the city for the past two weeks and are now located near the Cambodian border. There is evidence that the enemy may attack Tay Ninh, possibly as a diversion to cover a heavy assault on Saigon. B-52 raids have been targeted on these forces. In one case and gave us the coordinates of these units, and we immediately diverted for the next 30 hours every B-52 available for attacks on those locations.

Action is I Corps increased a little over last week, but remains relatively light overall. There were numerous attacks by fire around Quang Ngai city and Danang, and one very sharp action north of Khe Sanh. There is evidence of preparations for a major attack on Danang, but this is not considered imminent.

In II Corps the First NVA Division has moved into position to threaten Banmethuot. General Abrams believes this is a diversionary effort, however, designed to get us to pull forces out of I or III Corps. In IV Corps, the enemy is apparently experiencing difficulties. Significant losses of men and material are hindering preparations for attacks and the enemy is also running into resistance to his extensive recruiting effort.

I should add that it seems to me quite conceivable that our offensive action and interdiction could again set back the enemy’s timetable or indeed prevent his attacks from getting off the ground. B-52 strikes combined with excellent intelligence have been an important factor in these efforts.

Giving pacification a suitable boost in your joint Honolulu communiqué with Thieu helped to assure its forward momentum. While Thieu understands the importance of pacification, we are not sure that many ARVN generals and some ministers do. Thus, we are encouraged to hear that Thieu came back from Honolulu saying that he was going to insist on much better central management of pacification programs through the Central RD Council; and that he also intends to personally chair monthly pacification seminars in each corps.

June results of the attack against the VC infrastructure show that the fourth month running about 1,100 identifiable members of the enemy’s political cadre were neutralized. More important is the large increase in
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district/province level cadre picked up during June. With Interior Minister Khiem issuing explicit instructions to carry out the President's July decree, field activity should pick up even more in the weeks ahead. In effect Phung Hoang finally has been fully launched by the GVN after a hard year's work.

Huong and Khiem have moved to replace 35 more district chiefs. All newly-appointed chiefs are graduates of the April district/province chief course, hence they are somewhat better prepared for their jobs than most appointees in the past. This brings to 117 the district/province officials removed as direct result of our efforts to improve local leadership by eliminating corrupt and ineffective officials. Khiem indicates that more heads will roll. He is organizing a new course for about 100 carefully selected majors and lieutenant colonels who will become district and province chiefs.

One way of measuring the rural situation is to assess the number of GVN hamlet administrations that are functioning effectively. Right after Tet our district advisors noted more than 30 percent decline in effective hamlet administrations. Using an improved questionnaire, we took a closer look as of end of June. Of about 7,400 hamlets rated (all those in the relatively secure category plus most of the so-called contested hamlets), 5,997 or 81 percent now had relatively effective administrations again. While the criteria used were not very stringent, the results at least show that the trend is up.

Self-defense is reaching the crucial organizational stage. Although Minister Khiem is pushing hard, essential instructions have not gone out to province and district where program execution takes place. There is some difference between those like Khiem who believe the GVN should take a calculated risk of arming self-defense groups, at least partially, and those like Huong who fear that putting arms in the hands of the people (especially religious and political groups) will create more problems than it is worth. Thieu has not chosen to force the issue yet.

Throughout the last month, incidents of VC terror against refugees have increased markedly. Starting with the attack on Son Tra in Quang Ngai on 28 June, the enemy has attacked seven refugee camps in I and II Corps killing almost 100 people and destroying nearly 1,000 houses. In every case GVN response has been prompt, showing a growing concern by the government in the refugee problem.

Lull in enemy activity and relaxation of pressure on Saigon and other cities presents a good opportunity to clean up remaining recovery tasks. Tet evacuees are down to manageable 97,000. About 80 percent of families who homes were destroyed or heavily damaged have received allowances due. Huong gave provinces a 30 July deadline to make bulk of remaining payments. Plenty of money and materials are available. Although the 30 July goal was not met everywhere, Project Recovery is close to successful conclusion, a bright feather in the cap of the GVN.

Minister Lu Y, who has brought new vitality to refugee affairs, has taken hold of an idea of provide small prefab houses for refugees. We have been talking with him on a three-phase plan to provide 100,000 homes, costing
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only about $100 per unit (frame only), within a year or so. The GVN plans to
construct most of them locally in order to get a prefabricated housing industry
started in Vietnam. We will help out by sharing part of the cost of a 1,000
unit pilot project in Bien Hoa, and then contributing counterpart piasters for
follow-on projects.

During the first two weeks of July, 18,150 metric tons of rice arrived in
Saigon from the Delta. This is the highest monthly rate of rice arrivals since
May 1966.

The Vietnamese Government as a first step in its new rice program, has
called forward for delivery to Saigon of 40,000 tons of GVN-owned rice now
in provincial mills in the Delta. Economy Minister Ho has told USAID
officials that the GVN will purchase 150,000 tons now stored in the Delta.
Following this initial purchase, the GVN will announce a guaranteed purchase
price at which it will offer to buy unlimited quantities of rice. Merchants will
have the option of selling on the market if the price is better. Later, we ex-
pect the GVN to raise the wholesale price of U.S. rice.

We have reached agreement with the GVN on the need to important
another 100,000 tons of U.S. rice in October, November, and December.
Half this rice will be purchased through the new U.S. $50 million rice escrow
account and the other half will be the last part of a previous PL-480 agree-
ment.

The Saigon retail price index stood at 350 July 1. This climbed to 367
July 8, dropped slightly to 362 July 15, then rose again to 374 July 22. The
index rose again this week, and is up over six percent above the July 22 level.
The food index rose by eight percent this week, the non-food index less than
one-half of one percent.

The increase in food prices is largely unexplained. U. S. military authori-
ties report no interdiction of major routes into Saigon. It appears likely that
increased consumer demand and seasonal factors associated with the rainy
season, such as transportation delays and lower river fish catches, were con-
tributory factors. The eight percent increase occurred despite a two percent
decline in the price of the heavily weighted rice component in the index.

During the week of July 14–20, the Ministry of National Economy raised
the official prices of cigarettes, pipe tobacco, beer and carbonated beverages in
order largely to provide the GVN with a new 20 percent surtax but also to
compensate producers for rising production costs. The resultant net increase
in taxes from these products during the last half of 1968 is estimated at about
VN $970 or an annual rate of nearly VN $2 billion.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY SIXTY-FIRST WEEKLY TELEGRAM, AUGUST 7, 1968  There have been no major political developments or military actions during the past week. A significant military development, however, was the change in command in III Corps.

The enemy continued to make preparations for his long expected attacks. Infiltration has continued at a high rate. Evidence indicates, however, that the Allied forces have been effective in disrupting these preparations and in setting back the enemy's timetable. He has not yet been able to get his third round of attacks off the ground. It now appears that the most likely area for the enemy to strike in the near future is probably in the Danang and Chu Lai area. Although terrorism is up in Saigon, our joint efforts in organizing the defense of the city appear to be paying off and the enemy plan to attack the capital is badly off schedule. I made an inspection of the Capital Military District last Saturday and was greatly impressed not only by the effective organization, but also by the intensity of the operations in which ARVN and U.S. forces are engaged in the area. In addition to a highly sophisticated system of detection, more than 500 ambushes are being run nightly by our forces. Total force strength, including support troops (of which 14,000 are U.S. and 8,000 RF/PF), is now 77,000. I was greatly impressed with the way in which General Minh and his American advisors have put together the organization and the manner in which it is operating. As I have reported, this has been due to General Abrams' initiative. B-52 strikes also seem to have been particularly effective in breaking up enemy preparations for a move against Saigon.

Several political trends, which I reported earlier, continue to be evident. Vice President Ky's power declined further with the expected replacement of General Khang as III Corps Commander. While Ky continues at times to be critical of the government in private, saying that the GVN in general has failed to understand the principles of social revolution, his carping does not seem particularly significant under the circumstances. There seems to be at least a possibility that he or his entourage had a hand in the Cam Ranh affair, which I shall refer to later, as in the case of the widows of the officers killed in the rocket accident, which I reported on last week.

The appointment of General Do Cao Tri to III Corps substantially completes the new Thieu-Huong team. Without the distractions of the Thieu-Ky rivalry, the principal government and military leaders should be better able to concentrate on improving administration and fighting the enemy. Tri is re-
ported to be a very able commander, and he will almost certainly cooperate more effectively with Huong and General Minh than did Khang. Thieu told me yesterday that Khang, after some leave which he has requested, will serve as Deputy to General Vien for operations. General Thang, the former IV Corps Commander, has now been assigned as Chief of Artillery and Thieu feels will be able to measurably improve this branch of the service.

Prime Minister Huong has continued to push the hard line policy, which I reported last week, and I think has quite effectively cut the ground from under his militant critics. He appears determined to crack down on elements which are judged to be hindering the war effort or compromising the GVN negotiating position. During the past week, the government tried and sentenced another leftist student leader, broke up a small leftist student meeting, closed Song newspaper, and publicly warned Thoi Dai Moi newspaper against printing false news. The Northern Catholics, who had joined forces with the Revolutionary Dai Viets in recent weeks to charge the Huong government with being soft on the NLF probably encouraged by some military elements, perhaps including some of the Ky entourage, have been left with little to complain about.

Huong appears to have the solid backing of his own Cabinet and most, though not all, politically active Vietnamese in his tough policy. He is, in fact, attempting to combine some very liberal ideas and policies with a distinctly paternalistic approach to the problems of the nation. The prescription seems to fit the patient very well so far.

For example, Huong has continued to try to solve the problem of illegal detainees as rapidly as possible. Last week, I reported the release of more than 1,500 such detainees. By August 4, the number had risen to 2,728. The local press also reported prominently on Huong's personal inspection of prison facilities, his on the spot release of two political prisoners, and his reminiscences of his own confinement under Diem. While these actions may seem to contradict the policy which resulted in summary military trials for Truong Dinh Dzu and two student leaders, the Vietnamese do not appear to feel the contradiction.

Un fortunately, Huong's hard line on issues affecting negotiations and prosecution of the war also tends to project an undemocratic image to the outside world, particularly since these actions have been handled somewhat ineptly. While each of the recent tough GVN actions could be justified in terms of the laws in force, the war emergency, and the destructive actions of those involved, the net impression in many foreign countries is likely to be that of an undemocratic regime with little respect for the will of the people. The fact that many Vietnamese opinion leaders thoroughly approve Huong's stance and believe it to be both legal and necessary is likely to be lost on many foreign observers. Dzu's conviction with his unsavory reputation has caused scarcely a ripple here.

Thieu said to me recently that he feels that Honolulu served to dispel many of the fears of the Vietnamese about the future and therefore, makes
more flexibility possible. He remarked that as recently as six months ago, one could not use the world "negotiations" in a public discussion and a complete military victory was the only acceptable solution from the Vietnamese point of view. Now prospects for peace and negotiations are openly discussed, a change which he relates to the Paris talks and Honolulu.

Honolulu also served to reassure opinion leaders in the provinces. Moreover, these leaders are generally persuaded now that the war will end with some kind of a political settlement rather than a military decision. As in Saigon political leaders in the provinces are beginning to think of the future in terms of a political contest with the Communists.

Thieu believes the prospects for a united nationalist effort in the coming political contest are reasonably good. Fear of a communist takeover is strong and Tet jolted the city dwellers out of their complacency. In this connection, he said to me yesterday that Lien Minh is moving ahead. An action program has been worked out by the committee set up for this purpose and submitted to him. It will be tested out and its progress watched over first in Saigon, then as modifications are indicated will be expanded through the country. He also noted the need for friendly military operations to insure GVN control of the people. In this connection, he said that he had instructed the JGS that, in preparing operational plans for 1969, highest priority must be given to consolidating security in the countryside, therefore, the priority must be accorded to developing, training and equipping the RF/PF with emphasis on their mission for territorial security. Since the district and province chief performs a key role in the development and use of RF/PF, Thieu said that he intended to continue to upgrade the quality of these officials. He is trying to find the best possible candidates to enter a training course beginning the first of September. He also emphasized the need to push hard on the attack on the infrastructure through Operation Phoenix, and to move ahead rapidly with the development of self-defense units.

Thieu remarked that in the past, we had concentrated on destroying enemy military formations, but in the coming political conflict, organization and control of the people will be decisive. He believes that the enemy began months ago to tighten his control mechanisms in order to prepare for the future military stand-down. His effort to set up hamlet and village administrative organizations is further evidence of the importance he places on this aspect of the struggle. Thieu has, therefore, issued instructions to the Corps Commanders to help the province chiefs to carry out a stepped up effort to destroy communist infrastructure and control mechanisms and to increase assistance to the province and district chiefs in getting a better government grip on the rural population.

*Song* newspaper recently carried a series of sensational articles about the alleged brutal search of Vietnamese homes and persons by American MP's in the Cam Ranh area. According to the lurid accounts in *Song*, the Americans beat Vietnamese and looted freely in their search for stolen military and PX goods. Several other newspapers picked up the *Song* story and editorialized
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about it. As I reported last week (Saigon 34054), Prime Minister Huong asked me to agree to a joint commission to investigate the matter, which I immediately did. The investigation is still going forward.

Huong apparently felt he could not wait for the results of the joint investigation to deal with the uproar in the press. On August 1, the Minister of Information announced the closing of Song because "for several weeks Song has been conducting a systematic campaign to generate chaos, undermine the unity of this country as well as the unity between the American and Vietnamese people and armed forces at the precise moment when Vietnam has to muster all its moral and material strength to face an impending enemy general attack." The Minister went on to say that Song had undermined the political stability of the nation by false reports of imminent government changes, threatened economic stability by false reports of a shortage of sugar, and tried to sow hatred against the US by the "the deliberate spreading of false information regarding the Cam Ranh police raid." Prime Minister Huong told reporters August 2 that the Song reports were "false and exaggerated out of malice." The government also publicly warned Thoi Dai Moi for having picked up the Song articles without checking on their accuracy.

The Song reports were raised in both houses of the National Assembly, and the lower house sent its own delegations to Cam Ranh to investigate the alleged incidents. Although the lower house delegation has not yet made its report public, one member has charged publicly that American MP's engaged in the search operation did destroy property, damage a pagoda and loot.

Huong's prompt action has stifled press comment and at least most of the National Assembly is waiting for the results of the investigations before making any public comments. This is still a potentially troublesome issue, however, and will have to be handled carefully. I might add that while there is no evidence available to us at this time, it is altogether possible that the Song articles were deliberately designed to embarrass the Huong government and the U.S. Song newspaper has links with the Revolutionary Dai Viets end at least in the past Song was also considered a pro-Ky paper. The Dai Viets have pressed the issue in the lower house. Also, given Ky's apparently link to the agitation of the June 2 accidental killing of six top GVN officers in Cholon, can at least understand Huong's feelings that the Song reports were "exaggerated out of malice."

The lower house reconvened August 1 after its July recess and promptly took up the bill establishing the Inspectorate. Also on the lower house agenda is the Supreme Court Bill, the bill on the "declaration of a state of war," the three bills setting up the Advisory Councils called for in the Constitution, and a bill on the review of the cases of political detainees. Pending in the Senate are the House versions of the political party law and the press law. Presumably the Assembly will also be asked to pass supplementary budget during this session.

Of interest outside pending legislation is the proposal by lower house Deputy Tran Ngoc Chau that the Assembly seek contact with the North Viet-
namese National Assembly. He reportedly has the necessary number of deputies signatures to inscribe the item on the lower house agenda, and it will be debated. While perhaps not entirely serious in his desire to make contact with the North Vietnamese rubber stamp parliament, Chau is very serious about the need for South Viet Nam to take part in direct negotiations with Hanoi. He has expressed suspicions about the Paris talks and I think it is clear that he would like to see them either enlarged to include south Vietnam or ended. There is probably a good deal of sympathy for this view in the lower house and it may emerge more clearly when the Chau proposal is debated.

Also of interest was a hearing July 29 by the Senate committee which is working on the political party bill. Representatives of about twelve political parties expressed their views on the lower house version of the bill. There were objections to the requirements for formal recognition of a party which several spokesmen found too tough. Some representatives also objected to the requirement for disclosure of membership lists and the wording of the anti-communist provisions in the bill. The latter in fact appears to be contrary to the spirit and the letter of the Chieu Hoi and National Reconciliation programs, a fact which we have pointed out to a few key Senators.

The NLF recently completed its diplomatic accreditation to all communist countries by naming representatives to Albania, Bulgaria, Mongolia and Rumania, according to a news reports. This move, combined with some recent reports suggesting the NLF and the Alliance will merge may be an indication that Hanoi is contemplating—as it has seemed to do several times in the past—the formation of a communist government of South Viet Nam.

I noted last week that the trial of Alliance leaders apparently eliminates the usefulness of the Alliance as an NLF controlled intermediary for any contacts and negotiations with the Huong government. This may have prompted Alliance attacks on Huong. Following the attack I reported last week, we monitored a Liberation Radio broadcast which carried a letter allegedly from the Alliance Buddhist Leader, Thich Don Hau. The letter accuses Huong of crimes against Buddhists and Buddhism. It is clearly designed to try to turn Buddhists against the Huong government by exploiting Don Hau's religious prestige; its distinct communist flavor and lack of religious content should alert SVN Buddhists to its true nature, however.

As I mentioned [above], the past week was again one of low military activity, with the enemy heavily engaged in preparations for future attacks, but that intelligence suggests that the enemy timetable has been disrupted by our offensive actions and airstrikes. A continuing effort, of course, is being maintained to break up the attacks before they can be mounted, and I believe it is entirely possible that our forces will again compel the enemy to postpone his attacks. Indeed it seems to me possible that we may be able to prevent their getting off the ground altogether. In this case, I would expect the enemy to try to turn this to his political advantage by claiming that it represented a de-escalation on his part.
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Typical of the effect spoiling operations in which friendly forces have recently been engaged are actions in the A Shau Valley, the Delta, and III Corps. The most imminent threat at the moment appears to be an attack against Danang. In an effort to blunt that effort we moved back into A Shau Valley August 4 with two battalions of the 101st Calvary. The movement was preceded by 80 B-52 sorties, one of which produced 300 secondary explosions. This move is also intended to break up the enemy preparations for a later attack on Hue.

In the Delta, a mobile riverine force penetrated deeply into enemy base areas last week, and there was a very successful action by the 5th Vietnamese Marine battalion. In seven days of that operation, friendly forces killed 252 enemy and captured 30, together with 68 individual and seven crew-served weapons, at a cost of only seven men wounded.

In III Corps there are major enemy elements located less than two days' march from Tay Ninh, An Loc and Trang Bang. We have intelligence which indicates that the enemy intended to attack Tay Ninh, probably Loc Ninh and perhaps also another provincial capital on July 30. Their plan was to continue offensive action in those areas for perhaps two weeks, in the hope of drawing our forces out and away from Saigon. Then they planned to move on Saigon with their 9th and 7th Divisions. B-52 action evidently forced postponement of these actions.

In connection with the defense of Saigon, as I have mentioned I spent Saturday morning with General Minh, Colonel Nhieu, Mayor of Saigon, and General Eschenburg studying the defense of the city and touring the area by helicopter. They now estimate enemy forces in the CMD at 1600 to 1800 men. These are all local forces, with enemy main forces pulled back well out of the district. We have over 62,500 Vietnamese forces and about 14,700 US troops deployed in the District at the time for a total over 77,000 men to defend the city. There are over 500 ambush patrols out every night, and friendly forces searched over 20,000 boats last month in an effort to halt the flow of rockets and other munitions into the District (prisoner interrogations show that many rockets are brought into the District by boat).

In I Corps, the main threat at the moment seems to be an enemy attack on Danang. General Abrams tells me this could take place at any time. The threat to Hue probably cannot take shape this month, however, because enemy preparations are not that far along. The enemy 320th Division has moved into the DMZ, and we are planning B-52 strikes to break up any offensive intentions here.

The enemy still poses a threat to Banmethuot and may attack Pleiku by fire. General Abrams regards this effort as diversionary and does not intend to move any other units in the area at this time. We have now made plans for moving a Korean regiment about in II Corps including the highlands, if that proves necessary. General Abrams is very pleased that the Koreans are going along with this plan and he considers it something of a psychological breakthrough. In IV Corps the situation remains relatively quiet, with the exception of offensive movements by friendly forces into enemy base areas.
With the lull in enemy large-scale military activity, pacification is receiving somewhat more GVN attention. Combined GVN/US teams are visiting each province to approve or modify province plans for the rest of 1968. At our urging, the teams are focusing on territorial security and the almost 6,000 RF/PF units instead of just on the 800-odd RD teams. President Thieu plans to help the process along by calling several pacification seminars for province and district officials at which he will speak during August and September.

Prime Minister Huong signed the decree setting up the self-defense program on August 3. At our suggestion, the GVN is launching "Self-Defense Month" on August 9–11. It will be kicked off with radio and television appearances by Huong and other high government officials, followed by a large ceremony in Saigon. Despite his initial concern about arming the people, Huong has finally accepted this as an essential aspect of self-defense. The GVN Defense Ministry is ready to provide 60,000 weapons within thirty days. The program at last is gathering speed, and Thieu told me yesterday he is very anxious to see it effectively organized and developed.

Some insight into difficulties the enemy is experiencing is given by the rising Chieu Hoi rate. Although not a dramatic uptrend, the 1,841 returnees in July are the largest for any month since August 1967. This is also 75 percent more than came in during June. This increase comes despite the tightening of discipline in enemy ranks and the increasing proportion of NVA in his main and local force units. It means that a larger number of VC are defecting from the enemy from a smaller base, since few NVA rally. Another plus is the greater use being made of Chieu Hoi after they come over to our side. [about 40 words excised]

We are most pleased at how Colonel Hai has taken hold as Director-General of National Police. While General Loan was a courageous leader, he was not a good administrator; and evidence of wide-spread corruption in the police administration is being uncovered. As a result, many aspects of improving the quality of the police force went unattended. Loan intended to favor military men over career police officers. Hai is reversing the trend. This week he announced that 10 province police chiefs and two regional police directors—all military officers—would be replaced soon. Five of the replacement province police chiefs and both regional directors named are career police officers.

The August 5th retail price index showed a further one percent increase over the high level reached last week with food prices up slightly while non-food prices decreased somewhat. The maintenance of the relatively high current price level is probably due at least in part to slower highway transportation due to the rainy season and some decrease in security with consequent-ly higher spoilage rates.

The Government has called forward for milling 40,000 tons of rice it bought last spring. In the meantime, however, Saigon rice prices are dropping, thus further exacerbating the problem. Minister Ho, while generally very active, has so far failed to move on the rice purchase scheme.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY SIXTY-SECOND WEEKLY TELEGRAM, AUGUST 15, 1968

The lull in military activity continued during the past week but there is a growing expectation that it will end soon. All the information available to us points to the fact that enemy preparations are far along. General Abrams anticipates that the enemy may try to initiate widespread attacks in outlying areas within a relatively short time, perhaps in a matter of days. The most likely initial targets appears to be province capitals such as Tay Minh in III Corps, Danang, Hoi An, Chu Lai, Banmethuot, and the eastern DMZ. If the enemy is able to sustain these attacks, it seems probable they will be followed fairly quickly by a large scale effort against Saigon.

Expectation of a “third wave” was widespread in Saigon this week, and tension increased as a result. Further security measures were in evidence, evening traffic was lighter, newspaper editorials anticipated “the big showdown in the coming days.” An increase in enemy terrorism also contributed to this atmosphere. Morale is good, however, and I believe the people in general have confidence in the GVN and Allied ability to handle the threatened attacks. As I have said earlier, I believe the main objective of enemy attacks will be the influencing of public opinion in the United States and abroad; and probably in part in influencing the Democratic National Convention. It is true that Hanoi has expressed contempt for all of the major candidates. Nevertheless, it may well calculate that it can again move American opinion as it did at Tet and in May and thus affect the policy of the Democratic party at a crucial point in the formation of that policy.

Both we and the GVN have taken vigorous and thorough measures to meet and break up the expected enemy attacks; and if possible to forestall them and prevent their getting off the ground. During the past week, friendly forces continued seeking out the enemy in the base areas and assembly points from which he hopes to mount his attacks.

The role taken in this effort by ARVN forces is especially heartening. General Truong, Commander of the ARVN First Division, sent two of the four battalions assigned to the defense of Quang Tri City into the A Shau Valley along with three battalions of our 101st Air Cav Division. The Third Reg percenti percentment of the ARVN First Division is playing a major role along with the First Air Cav elements in Base Area 104 west of Hue. In the Delta, the ARVN performance in the highly successful operation in the U Minh Forest was outstanding. ARVN forces have been aggressively seeking
contact in the Delta with the result that in July, there were more enemy killed more captured, and more hoi chanhs than in June. On the other hand, friendly KIA were down from June and weapons lost by all RVNAF elements in July at seventy-one was the lowest monthly total since records have been kept.

I think there is no question but that should the attacks materialize, we can handle them in military terms. As I have said, I am convinced the main enemy objective is the political and psychological effort which a third round of attacks could have on our own and world opinion. In anticipation of this, we will continue to make every effort here to put the situation in perspective for the press in an effort to avoid filing of sensational and misleading accounts should the attacks materialize. As for the political effort here, I do not think the enemy can do much damage to the GVN at this point. The Huong government had a considerable measure of popular support when it was formed, and I believe it is substantially stronger in that respect now than it was at the outset. A long term effect of the Tet and May attacks on urban areas was to involve the city dwellers actively in the struggle, and the great majority are now more committed against the communists than ever before.

Another indication of the new spirit evident in the GVN is the successful mobilization effort. RVNAF forces now total 765,000 which does not include 40,000 CIDG. When one adds to this the GVN paramilitary forces, the total is very close to one million men under arms. This has been achieved much more rapidly than any of us would have believed possible a few months ago. It represents an increase of over 120,000 men since December 21, 1967.

As I mentioned in last week’s message, if Hanoi is again forced to postpone or prevented from mounting the attacks, it may seek to give the impression that the continued lull in the fighting is a response to our demands for some restraint or deescalation before we halt the bombing. In the event of a prolonged lull, I expect that we will be faced with more and more speculative news stories and statements from various quarters interpreting the lull as a show of good will on the part of Hanoi. For this reason, we are doing everything we can to help the press learn about and report the enemy’s continuing preparations to mount a new series of attacks. If we forestall the attacks, I hope we can get far more stories about our success in preventing them than reports of our unwillingness to see restraint and good will in the enemy’s lack of offensive action.

As further evidence of GVN determination, the civil defense program continues to gather momentum. “Self-Defense Month” was inaugurated with a radio/television speech by Prime Minister Huong last Saturday evening and by an impressive Saigon ceremony Sunday at which President Thieu spoke. Thieu stressed the need for all Vietnamese to shoulder their share of the burden of defense; and he also explained that the program is aimed at improving the welfare and social organization of the nation. As he put it, “The foundation of democracy and freedom must be organization, and a people which cannot organize themselves effectively are not a nation.”
ARVN has released almost 54,000 weapons to arm self-defense units in the cities and hamlets; 80,000 more are promised. With the 23,000 people already armed, these additional weapons will add 167,000 armed part-time defenders to back up the territorial security forces. In Saigon, civil defense committees have been elected and are at work in all of the districts and in most of the district subdivisions. Over 30,000 cadre have been organized into such defense groups and over 5,000 have had some military training. While civil defense still has a long way to go, it is on the rails and moving.

I have mentioned Hanoi’s apparent keen interest in our party conventions. Interest on the nationalist side is equally strong. Vietnamese leaders followed developments in Miami closely, the focus of their attention naturally being on attitudes toward Viet-Nam. Nixon’s nomination was generally welcomed because he is regarded as a man “who understands the Viet-Nam problem.” The Vietnamese press and leaders generally think he can be counted on to continue the broad lines of your policy and honor American commitments in Viet-Nam if he is elected. Even greater interest will be focused on the coming Democratic convention.

As I have reported in other messages, Thieu is trying to build up the Lien Minh and to give it a meaningful function in the interval between elections by involving it in an action social welfare program tied to Revolutionary Development. Last week, the leadership of the Lien Minh came to the Palace at his invitation to present to him their plans for such a program. As outlined by the leaders, the “New Life Action” program is designed as a short-term high impact effort concentrated in the first instance in the cities. It will emphasize projects on health, sanitation, education and refugee relief; and it is planned to work with GVN social welfare agencies, with private groups, and on its own initiative. The objective will be to get the Lien Minh before the public in a favorable context and to project the image of an activist social welfare-oriented political group.

A communiqué issued after the Palace meeting stated that the President “expressed his pleasure at the initial results in development programs” achieved by the Lien Minh and “whole-heartedly supports the plans made by the Lien Minh for the new life action program.” Thieu thus once more placed himself on record in support of the Lien Minh and its efforts to unit nationalist political groups. Its structure is still shaky and a number of important groups are not participating, but the Lien Minh still seems to hold out the best hope for short term political organization to meet the communist political challenge.

The government continued efforts to win public support and confidence during the past week. For example, Vietnam Press reported that over 800 police officials have been punished recently in the effort to improve and “purify” the National Police. I have noted that Prime Minister Huong went on television August 10 to support the People’s Self-Defense program and urge full participation; and that Thieu presided at an impressive civil defense ceremony at Saigon City Hall the following morning. On August 8 Thieu and
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the Prime Minister went together to An Giang province to inspect agricultural developments; in An Giang, Thieu personally harvested some miracle rice which he had himself planted three months earlier when I accompanied him there.

There are also indications that the government may be considering the idea of authorizing the return to Vietnam of various political exiles. This would be in line with Huong's recent efforts to free or try persons under illegal detention. Around 3,000 have already been freed; about another 3,000 have had their files examined and more will certainly be freed. It would also parallel current moves to regularize the status of a number of military figures who have long been in hiding because of their past roles in attempted coups. Like these actions GVN authorization for the return of political exiles would tend to show government respect for legality—a requirement often stressed by Huong.

Something like a trial balloon was launched this week by Deputy Ngo Cong Duc who circulated a petition in the lower house calling for the return of nationalist elements living in exile. The Duc petition reportedly carries the signatures of 90 deputies and has been sent to President Thieu. At the top of any such list of exiles would be Duong Van (Big) Minh. Minh remains a very popular figure in South Viet Nam, and he has been on good terms with Huong. (Big Minh supported Huong in the Presidential campaign after his own candidacy was disallowed).

Huong also appears to be trying to resolve the longstanding problem of the Montagnard FULRO rebels. After some preliminary negotiations, the FULRO leader, Y Bham, came out of his self-imposed exile in Cambodia and met in Banmethuot with a GVN delegation led by Minister for Ethnic Development Paul Nur. Y Bham put forward demands similar to those he has made in the past, including the formation of armed units by the various ethnic groups for the pacification of their respective areas. After a six-day conference with Minister Nur in Banmethuot, Y Bham agreed to come to Saigon to discuss the FULRO problem with Prime Minister Huong. He is now in Saigon and I am hopeful that Huong will succeed in persuading him to leave his exile permanently and cooperate with the GVN.

Prime Minister Huong has handled his political opponents with considerable skill so far, and for the moment they appear to pose no real threat to his government. However, he is quite persuaded that Vice President Ky is allied with the Revolutionary Dai Viets, some of the militant Catholics, and Tri Quang in efforts to embarrass and eventually overturn his government. I think that this may well be true, though the degree of cooperation among his opponents is probably a good deal less than he seems to believe.

Huong also continued his firm line with the press and student dissidents. The Ministry of Information issued a public warning against the publication of immoral or pornographic material; the editor of the Saigon Daily News was fined and given a three-month suspended sentence for flagrant misrepresentation of remarks by the Prime Minister about former III Corps Commander
Khang; two student leaders were arrested for holding and passing VC documents; and police dispersed a small group of students who tried to stage a hunger strike to protest the arrests.

Despite these tough actions, the government also showed signs of flexibility: according to sources in the office of the Prime Minister, the editor of Song newspaper was given the choice of standing trial or having his paper closed as a result of Song's role in the Cam Ranh affair (reported in my last weekly message). Student leader Trung Dinh Ban, accused of activities weakening the anti-communist spirit of the people and the army, was acquitted and freed by the special military court on August 9. It was also announced, but later retracted, that student leader Nguyen Dang Trung, sentenced earlier to ten years of hard labor, would get a new trial. Trung is in hiding, and his case could probably still be reopened, however. The Director General of National Police held a press conference to explain the arrest of students accused of passing VC documents, and he was at pains to take a conciliatory line toward the students who had protested the arrests.

As regards Huong's political opponents, I might mention that the Tri Quang clique is planning a convention August 18–20 to elect new officers. The Quoc Tu or Tam Chau faction is not going to take part, and the prospect of Buddhist unity is as far removed as ever. Indeed, there are signs of factionalism even within the An Quang clique, with Tri Quang and Thich Thien Minh vying for control of An Quang.

According to a Tam Chau supporter, [name deleted] the An Quang conference will focus on four points: recovery of the National Pagoda from the Tam Chau faction, rejection of the Tam Chau Buddhist Charter, election of new officers, and opposition to the GVN action in trying Thich Don Hau as a leader of the communist Alliance. Also, An Quang leaders may well take some position on the peace issues.

I should also mention that one of our Mission officers has seen Tri Quang several times recently. This is the first direct contact we have had with him since 1966 when he refused to see any member of the Mission because of his publicly proclaimed belief that you and Ambassador Lodge were trying to kill the Buddhist leaders and destroy Buddhism. Tri Quang still seems very bitter against the US government. His political influence has declined so far, however, that I do not attach much significance to his attitude. A measure of the degree to which this has evaporated was the virtually total lack of reaction, even among An Quang leaders, to his being placed in "protective custody" after Tet and held until Huong came into office.

As I noted above all indications are that the enemy hopes to launch a general series of attacks soon. His preparations include terror activities in Saigon, reflecting the COSVN policy of attempting to soften up the city and bring the war to the heart of the government. Terror attacks here included two ward administration offices, a U.S. military police patrol, and a coffee shop full of police eating breakfast. Liberation Radio continues to praise the terror acts in the capital.
We also continue to get reports of great efforts by the enemy to recruit and tax, and these too are no doubt linked to the planned attacks. Forced recruitment and heavy taxation are having a negative effect on the attitude of the population in some areas. For example, a former VC hamlet official in Lam Dong province rallied because the people of his hamlet were near starvation as a result of crop failures and increased VC food demands. Another sign of the enemy’s all-out preparations is the formation of all-female combat units in Binh Thuan and Dalac [provinces], while IV Corps also reports that armed female units are becoming more prevalent.

The general military situation is not greatly changed from that I reported last week. The enemy is apparently poised for an effort against Danang and the eastern end of the DMZ in I Corps. Tam Ky, Chu Lai, and Quang Ngai city might also be targets, though probably of a secondary nature. Our forces are still in the A Shau Valley, and it is doubtful that the enemy can seriously threaten Hue or Quang Tri at this time. In II Corps, the First NVA Division is continuing to reconnoiter around Banmethuot and probably intends to attack the city when the signal is given. General Abrams tells me that a rallier from the NVA First Division has given us his understanding of the plan for the attack on Banmethuot; also, the ROK’s are now prepared to send a regimental task force anywhere in II Corps. It thus appears that we are prepared to cope with any assault on Banmethuot.

In III Corps our forces are disposed so that the avenues of approach to Saigon are covered from far out near the borders all the way in to the edges of the city. General Abrams believes we are well braced here for whatever the enemy may try against either Tay Ninh or Saigon itself. Command arrangements are unified and adapted to both the geography and the kind of tactics anticipated.

The situation in IV Corps continues to improve. Friendly forces there have been aggressive, killing more enemy and losing fewer men than at any time in the past few months.

July saw a continuation of the gradual but relatively steady revival of security in the countryside, according to the Hamlet Evaluation System. Relatively secure population increased to almost 65 percent—a gain of 1.6 percent or 340,000 people. Contested population declined to about 18 percent and VC-controlled population dropped to about 17 percent. Greatest pacification progress occurred around Saigon, where 250,000 people were added to relatively secure status. Rural security trends (excluding towns) followed the same pattern, as they have consistently. Gains in July raised relatively secure rural population to 49.4 percent—1.3 percent more than at end-June.

What is significant is the rather rapid rate of post-Tet improvement—a gain of 5.5 percent in the five months since end-February. This is significantly greater than the pre-Tet rate of gain. Of course, it is partly due to the enemy’s heavy losses at Tet and mid-Tet, his depleting of guerilla forces to fill up his battalions, and the lull in his activity as he girds for his next attacks. If these attacks get off the ground on any major scale, it will probably
cause another pacification setback—if only because the Hamlet Evaluation System is highly sensitive to enemy activity.

But the extent of this setback should be much less than at Tet, because we are much readier now and because of the significant growth in territorial security forces. During the last four post-Tet months through June, RF strength increased 30 percent to almost of 200,000. During the same period PF increased 9 percent to roughly 165,000, police strength grew 7,000, RD cadre more than 7,200 and Armed Propaganda teams over 500 to 3,300. These gains are impressive, even though they are not yet matched by a comparable qualitative improvement, and unit leadership has been stretched thin.

Komer has been pressing Thieu, who with Khiem is the most knowledgeable and enthusiastic pacification backer in the GVN, to unify pacification management. In a productive talk with Thieu, Komer stressed the many indicators that the enemy was getting ready for a more political phase of the war (Thieu indeed has been fully conscious of this fact), creating more VC force structure, attempting to organize liberation committees to govern the villages, mounting an unprecedented taxation drive, and increasing his use of terror and propaganda. This emerging pattern underlines the need for a greater GVN counter-effort both to destroy the VC political apparatus in the countryside and to strengthen that of the GVN. Hence, even though pacification is regaining momentum, we feel it has to move faster yet. Since pacification is entirely a GVN affair, and we only advise and support, it is imperative that the GVN seize the initiative.

Thieu plans to overcome the management weaknesses that have long been apparent by personally issuing much more comprehensive guidance. We have finally sold him on the idea that the GVN must pull together all pacification activities, not just RD. He also plans personally to hold seminars once every two months in each corps area. Twice a year he would hold a national pacification seminar with participation of all province chiefs, corps commanders, etc. Seeing clearly the need to wrest the countryside from the VC, he advocates much greater emphasis on PF and on faster expansion of relatively secure areas. He intends to encourage province and district chiefs by giving them new opportunities for promotion. All in all, Thieu's own enthusiasm for pacification should prove a major stimulus, though the GVN is still not adequately staffed and organized to execute his will.

This week was rather uneventful on the economic front. Retail prices in Saigon held steady for the second week in a row, with individual prices backing and filling in response to particular market conditions. Rice was steady in price, most proteins and produce fell a bit, but Dalat vegetables rose because heavy rains hurt the condition of Route 20.

The black market price of green dollars rose during the week from 180 to 195, for no reason that stood out, though renewed rumors of devaluation may have played a part.
A decree implementing the new law on war risk insurance is in process. The draft which came out of the Ministry of Finance seemed weak to us, but the President's office has given U.S. Mission experts a chance to suggest revisions.

Rice arrivals in Saigon from the Delta during July are now reported to have been 31,000 tons, the highest since March, 1967. This good performance may have been due in part to the need to get some rice under cover from the rains, but probably also reflects improvement in security conditions and the comparative lull in combat operations.

GVN foreign exchange reserves—excluding the $50 million rice escrow account—had fallen in July to about $280 million, then rose in the first week of August to about $310 million. Further measures will be required to bring reserves back to the agreed level and keep them there through the end of the year.

The week was marked by the departure from office of Nguyen Huu Hanh, Governor of the National Bank. Hanh has been an able Governor and will be missed. He goes now to the IBRD staff in Washington. His successor has not been announced.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY SIXTY-THIRD WEEKLY TELEGRAM, AUGUST 22, 1968  The pattern of enemy military activity changed abruptly during the past week. The lull which had existed for some weeks past came to an end on the night of August 17–18 with a series of coordinated attacks on Tay Ninh Province and city; on Loc Ninh which had been the scene of heavy fighting last October; and Dak Seang in Kontum Province. These attacks were mounted in considerable force. At Tay Ninh, the enemy employed three battalions; in Loc Ninh and Dak Seang, the attacks were in battalion size-plus strength. In each instance, the enemy was heavily defeated. He succeeded in gaining a temporary foothold in the southwest perimeter of Tay Ninh city, but was driven out by the morning of August 19. On the night of August 20–21, there was a series of fire and ground attacks on district and province towns in the Delta. The province capital of Ben Tre was attacked by two enemy companies and both My Tho and Can Tho were mortared. All told, there were fifteen such attacks during the night. In the early hours of this morning, August 22, Saigon received twenty rounds of 122mm rocket fire, one round going through the roof of the National Assembly building, another falling within a block of our 17th Field Hospital. Preliminary reports indicate fourteen civilians killed and fifteen wounded. During the last twenty-four hours the tempo of activity has increased in all Corps areas.

The enemy appears to be attempting to move toward his objectives of Danang, Hoi An, Chu Lai, Quang Ngai, Banmethuot, and Saigon, and the area between the DMZ and Route 9, but in a manner which would avoid contact with our forces to the extent possible. On the other hand, our forces are on the move and we are coming into contact with the enemy. The situation could thus be described as presently being in a state of flux. The most propitious time for the enemy to move would be within the next few nights, which will be the dark of the moon. The evidence of the past week seems to indicate that the enemy is nearing the completion of his preparation for further military action and intends to pursue a talk-fight policy.

Along with the military situation, discussion of possible terms of a political settlement continues much to the fore in the thoughts of the Vietnamese. Our provincial reporters now say that it is generally accepted in the provinces as well as in the urban areas that there will not be a military victory for either side and that the struggle will eventually become political. It is also becoming more generally understood that concessions will be necessary, and many if not
most political leaders are trying to frame in their own minds the terms of a settlement which they can accept.

In this connection, I have discussed with Thieu, Ky, and Thanh the usefulness of some kind of GVN peace initiative at this time. It seems to me that this would be an appropriate moment for such a move on several counts. If the enemy should be able to mount an attack, as he gives every indication of at least attempting to do, a prior peace move by the GVN would underline Hanoi’s aggressiveness and intransigence. It would also help to dispel a view which I take it is held in a good many quarters, that this government is rigid and actually hostile toward a political settlement when as a matter of fact, I believe, its view has become increasingly flexible. In addition, there is a certain fluidity in Vietnamese domestic opinion on these questions, and the GVN could probably do something to prepare public opinion along the right lines if it moved now. Thieu has responded favorably to this suggestion and at his direction a paper is being prepared, under Thanh’s leadership, on GVN policy toward negotiations and peace. He wants to present this as a forthcoming and positive document that will make clear the determination of his government to find a basis for a just and honorable peace. Thieu has agreed that this will be coordinated with us and I have urged him to proceed on it as rapidly as possible. In my talk with him yesterday, he asked me whether I thought it would be useful if he made a speech which would pull together various things which had been said at one time or another about the GVN attitude toward peace; he felt there was considerable confusion here and abroad on where South Viet-Nam stands. A more realistic view is now taken of peace terms, and it is possible to say things which could not be mentioned publicly in the past. I said that I thought this would be highly useful and should serve to contrast a forthcoming and reasonable attitude on the side of the GVN with the rigidity which Hanoi had so far displayed at Paris.

Thieu has recently set up an Advisory Council to help him formulate the GVN policy and strategy in the expected future negotiations. He has said he expects the DRV to propose a ceasefire in the near future and he wants to be prepared to deal with that contingency. He has, therefore, asked the Council to study four main questions: (a) composition of the peace delegation; (b) the conditions under which the GVN would accept a ceasefire; (c) international controls and guarantees; and (d) future relations between North and South Viet-Nam.

Of some interest in this connection was a speech August 20 by the Foreign Minister [Thanh] in which he stressed the flexibility of the GVN with regard to the question of legitimacy (he mentioned the possibility of opening diplomatic relations with such “third world” nations as Indonesia, France, and Cambodia). As one of his conclusions, Thanh said, “The Republic of South Viet-Nam is prepared to discuss with North Viet-Nam arrangements for a ceasefire and conditions for reunification by peaceful and democratic process, under international supervision.” He spelled out somewhat his ideas on the gradual development of practical bilateral relations after the settlement with
North Viet-Nam—humanitarian, economic, and cultural—along the lines he indicated at the Honolulu meeting.

Vietnamese interest in our domestic political situation continues at a high level. There was speculation in the local press on the possibility of a complete halt to the bombing before the Democratic Convention; your speech at the VFW should put an end to it. The press also seized on Senator McGovern’s candidacy as an important development. Several papers noted editorially Hanoi has been encouraged by his candidacy, and they conclude that no concessions can be expected from Hanoi until the Democratic candidate is selected. Interest both in the Democratic platform and in the candidates will undoubtedly remain intense until the word is out from Chicago.

While attention here is concentrated on the military situation, the question of a future political settlement, and our domestic policies, the GVN also continues its efforts to improve administration, fight corruption, set up democratic institutions, and improve their image abroad. Taken day by day, progress is not spectacular. However, I think the sum of these efforts is encouraging and I will summarize in the political section some of the things that have been done on these problems during the past week. I should like to mention here, however, a concrete example which I observed this week.

On Tuesday I was invited by the Mayor of Saigon, Colonel Nhieu, to meet with him in his office and subsequently to tour with him those parts of Saigon that were hardest hit during the February and May attacks.

We discussed for about an hour the various problems he faces and the programs he has underway to meet them. This ranged from the usual problems such as traffic, public transportation, police, public works, health and education to the special wartime problems of civil defense, refugees and reconstruction, and the fight against the communist infrastructure now getting underway in an organized fashion. I was very well impressed with the way the Mayor is attacking his many problems. He is well organized, hard working, and has a reputation for honesty.

At present, 125,000 persons, including 27,000 females, are on the civil defense rolls—this figure may ultimately go as high as 500,000–600,000. Of these, 14,136 (including 356 women) have had their 33 hours training. So far, 2,260 weapons have been issued, and the Ministry of Interior has agreed to provide a total of 10,000. A total of over 22,000 weapons will ultimately be issued. These groups are not to be thought of as an army—their function will be patrolling and static guard duty in their own wards and precincts. Only those actually on patrol or guard duty at any given time will be armed. The plan is to provide 30 carbines and one pistol to each of the 711 ward teams. There will also be arms for 56 precinct teams of fifteen men each, and nine district teams of the same size.

Most heartening of all was the progress I saw in reconstruction and resettlement of the Tet and post-Tet evacuees since my last visit to the war-torn parts of the city some two months ago. Permanent housing for 1,400 family units, in the form of well-planned and attractive four-story, reinforced con-
crete apartments is expected to be available at the end of October. Nine hundred more such family units are to become available in November. Each apartment building will house from 140 to 150 families. Occupants will pay about 2,000 piasters a month, which over twenty years will make them the owner of their unit. Two thousand more of the same type are planned by the GVN, and the AID-supported Ming Mang project, on which construction has not yet begun, will provide another 2,000. Eventually, between 30,000 and 35,000 people will be provided with housing far better than the shacks in which they had been living. This is all additional to the semi-permanent prefabricated housing such as Petrus Ky (with some 12,000 occupants) and housing constructed by the ARVN and U.S. Engineer units in Districts 6 and 8.

The Huong government is aware that some of its recent actions against dissident elements have hurt its image in the United States and other countries. Apparently one result is that some consideration is being given to easing Dzu's sentence, one suggestion we have heard being house arrest in Dalat. We intend to follow up on this possibility.

The Special Military Court this week took action in two cases which, if they do not improve the GVN image abroad, certainly will not hurt it. August 16 the court tried the owner of a small print shop and his assistant, a Buddhist monk, for printing subversive literature. Judging by the evidence presented, the two were probably guilty as charged, but they drew only a suspended sentence.

The following day General Lam Van Phat and four other officers were acquitted of charges arising from the attempted February 1965 coup against General Nguyen Khanh. The Phat case was played up in the local press, with accounts of Phat's hard life while posing as a simple peasant farmer in an area often troubled by the Viet Cong. Phat was quoted as saying he had never believed he could set foot in Saigon and become a free citizen again, and he "almost fainted for joy" when told he had been acquitted.

A further move against corruption was the announcement this week of the establishment of anti-corruption committees in each Ministry and province. Announcement of the committees was coupled with the publication of a "plan for eliminating corruption." This effort is intended to concentrate on preventing rather than discovering and punishing corruption. Various administrative procedures and safeguards are to be implemented which will make corruption more difficult and less attractive.

The Assembly completed work on both the Inspectorate and Supreme Court bills this week, thus clearing the way for establishment of the two remaining branches of the new constitutional government. Under the law establishing the independent Inspectorate, an audit of the property of all top officials, including the President and Vice President, is to be completed within six months after the Inspectorate takes office. There will be 18 chief inspectors, six chosen by the Assembly, six by the Supreme Court, and six by the President. The personnel and facilities of the present Inspectorate under Mai Tho Truyen will apparently be absorbed by the new body; there is speculation
that Truyen will himself be named to the Inspectorate and serve as its chairman.

Current negotiations with the rebel FULRO Montagnard leader, Y Bham, are still in progress in Saigon. While no agreement has been reached as yet, [names deleted] have told us that they are optimistic about the outcome. Y Bham has been entertained informally by Dao, his opposite number in the negotiations, and seems to have confidence in the Huong government. His mere presence in Saigon plus the cordial atmosphere of the negotiations are in sharp contrast to Y Bham's suspicious and somewhat aloof attitude during his negotiations with GVN officials in Banmethuot last year. This is another area in which the Huong government is following an enlightened policy which promises more support internally and a better image abroad.

Although the Alliance has figured in the news recently, largely as a result of some imaginative Japanese correspondents, we have the impression that Hanoi may, at least for the moment, be less interested in its possibilities than formerly. The list of slogans for the commemoration of the August Revolution and the DRV National Day omitted any reference to the Alliance. Moreover, the latest Alliance communiqué, supposedly issued following a July 31 meeting near Saigon, associates the Alliance very closely with the NLF and makes little effort to suggest that its policies differ in any way from that of the NLF or Hanoi. Perhaps the Huong trial of the Alliance leaders and the failure of the Alliance to attract any meaningful support in South Viet-Nam have caused the DRV to conclude that the Alliance is not likely to serve as an effective intermediary between communists and certain nationalist circles.

The Cam Ranh Bay report of the joint investigation was signed by the Defense Minister on August 21 and forwarded to President Thieu. The investigators found that most of the allegations made immediately after the search were untrue. However, they also found that in a few instances, the Americans involved did go beyond the agreements relating to such searches, i.e., they entered and searched in some areas when not accompanied by GVN authorities. The U.S. side is investigating these incidents further. We are pressing for quick release of the report to dampen down further rumors and speculation.

As I noted [above], the lull in enemy activity seems to have ended. Whether this in fact signals the opening of the third wave remains to be seen. I outlined the overall military situation but I would like to add a few details on some recent ARVN performance; evidences of improvement continue to appear. This week, the Second Regiment of the ARVN 1st Division carried out a brilliant operation in the southern part of the DMZ near the coast. It caught the 1st Battalion of the 138th North Vietnamese Army Regiment by surprise, killed 165 of the enemy, captured all the weapons of a heavy weapons company, and a document stating that the 1st Battalion had orders to attack south from the DMZ on August 22. In a brief engagement with the same enemy battalion a few days before, the Second ARVN killed 107 enemy. This battalion is believed to be almost wiped out. On August 16, General Abrams visited the ARVN 1st Division and decorated some of the men for
their part in this action. He came back more than ever impressed with their professionalism and esprit.

In another action southwest of Hue, the newly organized 4th Regiment of the ARVN 1st Division killed 96 enemy, took 40 prisoners, and captured 45 weapons, while suffering six dead and four wounded. This was not only a green regiment, but it was on its first operation.

Preparations against the so-called third-wave offensive have not yet detracted from pacification, as there has been little shifting of forces to defensive positions. Nor has increased enemy activity in III Corps and now in the Delta yet had any apparent impact on pacification. The GVN is keeping its cool, with Thieu still planning the first of his pacification seminars in IV Corps on Friday. Komer has exerted considerable influence over its preparations and will give us a readout.

Despite usual increased VC/NVA security precautions as attack plans mature, the Chieu Hoi rate hit a 1968 high last week—477 returnees. Many brought information on enemy plans. Increasingly returnees are leading friendly forces to caches, which complicates enemy attack preparations in the lower Delta; a VC artillery chief of a district and the chief of a weapons “factory” rallied and promptly led friendly forces to a large cache containing a 75 mm pack howitzer, a 105 mm mortar, eight crew-served weapons, innumerable small arms, and large quantities of ammunition. Rewards exceeding one million piasters were paid by the Chieu Hoi Ministry.

We have reports that local self-defense groups fought well against enemy who infiltrated Tay Ninh City during Sunday morning’s attack. In fact, the self-defense program has moved ahead rapidly during “self-defense month,” which opened on 11 August and is gaining momentum. The first allocation of 55,000 weapons has been distributed, principally to Saigon and other large cities most likely to be targets of any “third-wave.” Although statistics are probably quite unreliable because of rapid growth of the program, the Interior Ministry lists almost 270,000 people as being involved—security groups, first-aid teams, lookouts, etc. More than 130,000 have been trained to use rifles and about 30,000 are already armed. Ceremonies to present weapons to people’s self-defense groups are being held around the country as the President, Prime Minister and Minister of Interior all give personal support to the program.

Big improvements were noted in RD Cadre during July. Field strength jumped almost 2000 to nearly 37,500. For the fifth month in a row cadre losses declined—mainly as a result of fewer desertions.

But by far the most productive pacification elements are the [about 50 words excised].

In another relatively quiet week, retail prices in Saigon rose slightly. The food index rose two percent and non-food items rose one percent. The rise in food prices was chiefly due to a firming of rice prices, which rose two to five percent, probably due to rumors of an impending price support program. Goods moving up Route 4 from the Delta are in good supply, but rains and
security conditions continue to impede traffic on Route 20 from Dalat.

The retail price increase since January 1 now stands at 30 percent. During the same period, the money supply has increased by about 45 percent, and it is still increasing rapidly. Therefore, despite the fact that price increases have been moderate during the last few weeks, we still fear that inflationary pressures will resume over the coming months. However, the largest safety valve for inflationary pressure, imports, show signs that it is functioning: licensing of GVN foreign-exchange totaled $24 million in July and $11 million in the first 11 days of August, compared, for instance, to $56 million for the whole April–June quarter.

One disturbing note is that black market currency prices continued to rise last week, with the dollar rate reaching 210–215 piasters by week's end. Some generalized fear of inflation is no doubt at work, but rumors of an impending "third wave" attack on Saigon, and of developments from the Paris Conference, are now at a height, and these may be responsible for the fairly sharp rises in currency rates of the last two or three weeks. Time magazine's totally false report that there would be another devaluation may also have contributed to the pressure on the piaster.

Rice deliveries from the Delta were strong during the first half of August—20,000 tons compared to 30,000 for the whole month of July, and July itself was a good month. Rumors of GVN action on a price support program is believed to be one of the factors. Unfortunately, there is so far no truth to this particular rumor, as the GVN continues undecided on the key questions of how much rice will be purchased, when, and at what price.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY SIXTY-FOURTH WEEKLY TELEGRAM, AUGUST 29, 1968

The intensity of the fighting initiated by the enemy's attack which began on the night of August 18, which saw coordinated enemy efforts in each of the four Corps areas, continued for a period of seven days. While the pattern is different in important respects, the level of the fighting approached that which prevailed during the May attacks. The attacks, however, were far less effective than in May. This I ascribe primarily to the steady improvement which has taken place in the Allied forces: improved intelligence, better all around performance, especially by the ARVN, RF/PF and paramilitary forces, better coordination of all units, the very effective interdiction and spoiling efforts of our forces and skillful and effective application of air power, especially the B-52s. Confidence in their ability to cope with the enemy prevails throughout the Vietnamese and allied forces to a greater degree than ever before.

A comparison with the May attacks is a useful means of measuring and evaluating the enemy effort. During the first week, it roughly approximated the May attacks in intensity. In the first seven days of the May offensive, the enemy launched 103 ground attacks and 145 attacks by fire. From August 18–24, there were 81 ground attacks and 103 attacks by fire. Enemy KIA May 5–11 were 8,450; August 18–24 the enemy lost 5,390 men.

The present attacks differ from the May round in that they were staggered, began slowly, and built up over a period of several days. In May, all the main targets were hit at the outset, the attacks were concentrated in the first few days and then quickly fell off. Another interesting difference in current enemy tactics is the fact that he is now trying to hold down his casualties whereas in the earlier attacks there seemed to be little or no concern for the tremendous losses incurred.

The enemy has not been able to penetrate urban areas in any significant way. I ascribe this primarily to the increased effectiveness of the Vietnamese and Allied forces. There was some fighting on the fringes of Tay Ninh and sapper units got into Danang, but other than this, enemy thrusts have been stopped seven or eight kilometers outside of population centers. This, together with great care in our use of air and artillery, has resulted in far fewer civilian casualties and property destruction than in May or during Tet. The destruction of homes which occurred on the southern edge of Tay Ninh was the result of enemy action, not our air or artillery strikes. Hanoi’s objectives, I
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think, are the same as those at Tet or in the May/June attacks, to achieve maximum political and psychological impact in the U.S. and at Paris. He probably hopes to achieve this by successive periods of high intensity combat, including undoubtedly at some time a major effort to strike at the prime targets, chief of which is undoubtedly Saigon. The evident effort to hold down casualties and stagger attacks supports such an interpretation. Supporting such a thesis also is a Liberation Radio broadcast of August 21 which said that the Tay Ninh attacks “once again repudiate the boastful contentions of the U.S. aggressors and their lackeys that there is a lull in the fighting and that the Liberation Forces are not in a position to stage large scale attacks.”

Whether the enemy can carry out such a strategy is, I think, quite another question. We have been able to deal successfully with the recent attacks, frustrating enemy efforts to penetrate and destroy urban areas and inflicting heavy losses on him. General Abrams believes that the enemy has already been forced to revise his plans, and I have earlier expressed doubts as to the enemy’s ability to get his offensive off the ground to the extent he obviously hopes to achieve, and I still entertain these doubts.

Thieu, who earlier thought the enemy could sustain an offensive for four or five weeks, told me August 24 he now thinks the best they can do is to strike in waves of not more than a week and that some considerable period will elapse between each attack. He believes the attacks will be timed to have maximum political effect in the United States. As he sees it, the communists have two basic military problems: they cannot attack with whole units at the time and place that they wish because of the effectiveness of our spoiling actions; and they cannot sustain an attack or maintain power over a captured area.

The current round of attacks, Hanoi’s alacrity in applauding the Soviet move against Czechoslovakia, its rigidity in Paris, and its own announcements all suggest that the DRV leadership is still placing emphasis on military means. It seems to me probable that while they may be ready to move toward some form of political contest or settlement after our elections are over, they are likely to play chiefly their military cards in the intervening months in the hope of extracting greater concessions from us.

In this connection, I particularly note on August 23 Hanoi’s broadcast which extolled use of violence to achieve the regime’s ends. The broadcast said in part, “Comrade Truong Chinh...stressed that our party has asserted that the path of violent revolution is the only correct path to topple the enemy of the class and the people, to restore power to the people, to protect the revolutionary power, and to lead the Vietnamese revolution to victory. Comrade Truong Chinh pointed out that the basic form of revolutionary violence in our country is armed force combined with political force and armed struggle combined with political struggle. He said: ’In the present southern revolution, this combination has been brought to full play skillfully and has achieved greater and greater success.’”
August 29, 1968

Perhaps one of the most significant failures of the enemy's Tet offensive was the absence of popular support for the enemy forces which penetrated the cities, support which he had evidently anticipated and counted on. I expect that he will now make strong efforts to generate at least some appearance of popular support when and if he makes another bid to enter the cities, particularly Saigon. Intelligence indicates the enemy is trying to infiltrate elements into Saigon, some of which could play the role of the "people," rising to welcome and support Communist forces. Stepped up enemy efforts to establish liberation committees in the countryside also suggest that a "spontaneous" overthrow of GVN administration by "people's" committees could be part of Hanoi's hoped-for scenario during the next few months.

The GVN authorities are aware of these possibilities and are working to frustrate them. In Saigon, there is a continuing and intense police effort to pick up infiltrators and roll up Communist agents. As I reported in my message of August 7, President Thieu recently ordered an increased effort to establish effective GVN presence and administration at the village and hamlet levels.

While GVN leaders are heavily occupied with the immediate military threat and at the same time operating and trying to strengthen their new constitutional system, they are also devoting much effort to the problems of a political settlement and the political competition which they expect to follow the end of the fighting. I reported last week on Foreign Minister Thanh's useful speech and on the Committee of Twenty which Thieu had set up to study the problem of a political settlement. Thieu made a number of constructive suggestions in an excellent television speech August 23. He proposed that peace be established by a return to the situation established by the Geneva Agreements of 1954 and 1962, which are the basis for the position of the GVN on peace as set forth in the Honolulu communique. He stated that once peace is restored, the GVN is prepared to explore with Hanoi the possibility of reunification by peaceful means, and in the meantime to explore normalization of economic, family, and cultural relations. He also reaffirmed that those now on the other side will have full rights of citizenship as soon as they lay down their weapons and accept the law of the land.

I complimented Thieu on his speech and noted that it made a good introduction to the general statement of the GVN position on peace on which he is currently working. Thieu said this "platform" is coming along and he hoped that it would soon be ready. He said that the GVN leadership, and especially he as President, must take the lead in talking with the Vietnamese people about negotiations and a settlement in order to prepare them for the future political struggle. He said that some people, "a few fanatic Catholics and Dai Viets," accuse him of being soft, but he has replied that "if we get organized and have the courage to face the problem, the communists won't be able to take over." He added that the nationalists are after all some 15 million and there is no reason why they should fear the few hundred thousand or so communists. He added as their leader, he must tell the people to be ready to deal
with this problem, maybe even within one year.

As part of his drive to prepare for the future political contest with the communists, Thieu is pushing ahead with plans to form an umbrella political body, the Lien Minh, which will attract nationalists generally and help them to unite against the enemy. I will mention Lien Minh developments in more detail [below], but I think it important to note here that Thieu has said that he understands he must himself take the lead with the Lien Minh and exercise personal supervision over its activities if it is to succeed.

I have reported in my earlier messages the moves which President Thieu has made over a period of time to establish himself as the constitutional President rather than the representative of a ruling military clique. The process of consolidating his constitutional power involved the speeding up of both democratization and civilianization in the government. Military elements have lost a significant part of their former power. While not complete, the process has gone quite a long way, and Thieu is far more the President of Viet Nam today than he was even a few months ago. His growing control of the military and the government, and perhaps equally important, his alliance with Tran Van Huong, have moved him well along the road to achieving the full dimensions of the power the Constitution vests in him.

One of the important things which he still needs to do to complete this process is to organize political support for himself as the President. He needs a body of legislators in the Assembly who are responsive to his direction. Even more, he needs a political organization at the grass roots to give his leadership effect outside as well as inside the administration. The Tet attacks and the events that followed made it easier for Thieu to push ahead rapidly in establishing his constitutional position. Similarly the present situation, in which the nation faces the likelihood of crucial negotiations followed by political competition with the communists, can help him to unite nationalist elements in support of the government, the Presidency, and himself.

Thieu understands this, and he is apparently bent on seizing this opportunity as he grasped the opportunity provided by earlier events. He is working to form a lower house bloc, a women's organization within the Lien Minh, and the Lien Minh itself as the future underpinnings of his political position. He now estimates that he has lined up about 25 Assemblymen who will take direction from him. His legislative liaison man claims as many as 80. We also have reports that Prime Minister Huong has been wooing some deputies with the intention of strengthening the government position in the Assembly.

We do not have much information yet on Thieu's plans for a women's organization, but he tells me that he has a prospective leader in mind for it in the person of a capable and experienced woman. Training of the 40 top cadre of the Lien Minh has been completed, and the first class of 800 line cadre began their training August 26.

Thieu is not unrealistic about the Lien Minh. He understands that the present leadership is divided and somewhat disorganized. Consequently he has made up his mind to lend his own prestige as President to the organiza-
tion, and he will exercise a degree of personal supervision to make sure that the effort moves forward.

While Thieu emphasizes the point that the Lien Minh's goal is basically political, its program will be couched in terms of economic and social projects. He sees its program as supplementing GVN efforts, not competing with them. He hopes that it will serve to unite national political leaders while utilizing their cadre to implement Lien Minh projects. While just beginning to take shape the Lien Minh, I believe, is much the most hopeful effort yet undertaken to bring together the democratic nationalist elements of the country.

Thieu's alliance with Huong has so far proved to be one of his best moves. Huong has a degree of personal attraction enjoyed by no other leader now in the government, and he has brought increased popular support to the GVN as a result. From the beginning, critics have predicted frictions and a split between Huong and Thieu. However, they have in fact worked well together. In the matter of the Lien Minh, for example, Huong evidently prefers to stand aside. He has said privately that the solution to Viet Nam's troubles is better administration, not political organization. Nevertheless, Huong has done nothing to hinder the work of the Lien Minh. Thieu, for his part, has not tried to push Huong into supporting the organization; he has said that administration is Huong's forte, and that is what he wants Huong to concentrate on.

Corruption in the military, particularly at high levels, could be an area of conflict between Thieu and Huong if Huong wanted to push harder and faster than the President believes politically feasible. However, Huong is proving himself just as prudent a politician as Thieu. It therefore seems likely to me that Huong realizes the hazards of moving too fast against top offenders just as keenly as does Thieu, and I believe that in all probability the two are in broad agreement on how to proceed.

Most observers agree that the present government is more stable than any since Diem. The basis for this political stability is, first of all, the constitutional frame plus our own presence. In the second instance, it is due to Thieu's careful and skillful leadership and his alliance with Tran Van Huong. If Thieu can now succeed in forming a genuine national political organization while hanging on to the gains achieved through the Constitution and his alliance with Huong, the regime here will be able to confront Hanoi with a degree of political strength that will be hard to challenge. Indeed, the increasing flexibility in the attitude of the government toward the problem of negotiations and peace, one of the most encouraging and significant developments of recent months, is, I believe, a direct result of the government's growing strength and self-confidence. There is a great deal still to be done and time is short, but progress to date is encouraging.

While I have not reported them in detail, I have from time to time mentioned the travels and public appearances of both President Thieu and Prime Minister Huong. Both have been increasingly visible in past weeks, and I think their exposure to the public is a definite plus. Huong seems to be
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effective in projecting a positive image to the people and winning their support, and Thieu also has handled himself extremely well.

Last week, for example, Huong made well publicized visits to Cho Ray hospital, Saigon police headquarters, and Go Cong province. The local press noted in particular his easy and inspiring manner with the local people at Go Cong, something which I had also noticed in Hue. While there, he gave the civil defense program a push, issued land titles to a number of peasants under the land reform program, and listened to the complaints and petitions of the people. On August 23, Thieu spent the day at Can Tho in IV Corps, conducting a day-long seminar on pacification. On August 27 he went to Duc Lap in II Corps to commend the defenders of the post in their hard-fought and successful action, which was still going on. Last Tuesday he spent the day in III Corps, conducting his second seminar on pacification.

We have had some recent reports that indicate the communists are wooing some of the small and relatively insignificant labor groups. The GVN is concerned about this activity, and so apparently is CVT labor leader Tran Quoc Buu. As one means of responding to the threat, Labor Minister Hien and Buu are thinking of a new labor federation which would embrace both the powerful CVT and the several small labor organizations which for one reason or another have remained outside the CVT. The purpose would be to reduce the attraction of communist and other extremists who are known to be in contact with non-CVT leaders—another GVN response to communist efforts to prepare for a "peoples" uprising in connection with current or later attacks.

The An Quang Buddhists ended their Congress this week and issued a resolution which by An Quang standards is quite moderate in tone. In contrast to their earlier very unhelpful peace declaration they merely called for an end to the killing and stated their determination "to continue to use all existing capabilities to demand that the warring parties realize a reasonable, fitting solution to end the war."

I suspect that the An Quang rank and file is tired of their former radical and wholly unprofitable opposition to almost everything. Whatever the reason, An Quang appears to have at least temporarily moved away from Tri Quang's harsh opposition policy.

Most of the old An Quang leadership was re-elected at the Congress. [about 40 words excised]. The Congress also appeared to result in a hardening of An Quang's attitude toward the Tam Chau faction, and the prospects for Buddhist unity thus appear dimmer than ever.

Prince Sihanouk has invited the ICC and foreign press corps in Cambodia to visit an alleged VC base camp on the Cambodian/Vietnamese border. The base, 3 by 5 kms in area, is 60 kms west of Saigon and centers on Ba Thu village (XT 2704). (Ba Thu village is inhabited primarily by ethnic Vietnamese.) The Ba Thu region is known to be a major training, staging, and arms transshipment point for attacks on Saigon and the upper Delta. The base complex consists of hospitals, print shops, munitions shops, and rest areas. Besides using the houses of sympathetic villagers, the enemy has apparently, during the
period February–May 1968 (dry season ended in May), constructed 578 new buildings.

We have passed appropriate maps and dossiers on Ba Thu to the Cambodians, the ICC chairman and the Canadians on the Commission. An ICC inspection group was expected to visit the area for three days commencing on August 26, although there may well be slippage in these dates, as there has often been in the past.

I have to a large extent covered the military situation in the opening paragraphs of this report. Again, however, I would like to call attention to certain aspects of ARVN performance which I think you will find of interest.

First, the defense of Dak Seang by the CIDG forces was a very creditable performance. They killed 39 of the enemy, detained 12, and captured 50 individual and 13 crew-served weapons. We provided some air and artillery support, but the CIDG took the brunt of the ground assault with no assistance from U.S. infantry units. Friendly losses were 4 CIDG killed and 2 wounded, plus 1 US advisor wounded.

On August 18 a convoy escorted by the 3rd Troop, ARVN 3rd Cavalry, was ambushed by an estimated company north of Pleiku. The lst Troop immediately reinforced, and air and artillery support was provided. The ambush was broken up, 39 enemy killed and 13 weapons captured with only 9 friendly WIA. followed up on this with a scout company of the 3rd Cavalry and engaged three enemy battalions. He reinforced with two battalions of the 42nd Regiment and another scout company. General Lu Lan, the Corps Commander, moved a battalion from the coastal plains (where activity remains exceptionally light) to Kontum city to replace one of the battalions that had gone into the battle from there. We supported at a key moment with Arc Light strikes. But the entire operation from beginning to end was carried out by ARVN troops. Results were 163 enemy killed, 25 weapons captured; friendly losses 25 killed, 92 wounded, 2 weapons lost.

Both the First and Second ARVN Divisions, the Ranger battalions and some RF and PF troops have had highly successful operations during the week in I Corps. The new 4th Regiment of the First ARVN Division continues to live up to the high reputation of the other elements of the Division.

A major enemy attack was made against the Duc Lap Special Forces Camp and Sub-sector Compound (Quang Duc Province). The attack continued over a four-day period (August 23–26) and at one point the enemy penetrated to the innermost perimeter. He suffered 445 KIA and lost 50 individual and 13 crew-served weapons. He failed totally in his effort to divert friendly forces from Banmethuot, a major enemy objective. General Abrams described the ARVN and CIDG performance during this action as "magnificent," ARVN and CIDG suffered 61 killed and 162 wounded; U.S. losses were 7 killed and 19 wounded. We provided artillery and air support.

Thieu's successful pacification seminars in IV Corps on Friday and III Corps on Tuesday demonstrated forcefully to field operators the increasing importance which GVN attaches to pacification. Huong led off the seminars.
by announcing that pacification was a national program having top security. He indicated that the Central RD Council, which the President heads and for which he is Secretary General, would become more active. It would seek to coordinate pacification efforts of all ministries which should be involved, not just activities of the RD Ministry. The presence of the Ministers of Interior, Economy, Agriculture, Health, Social Welfare and Refugees, Transportation, Communications and Public Works, and Chieu Hoi, along with the Commander of RF/PF, at the seminars reinforced his point.

Each Province Chief was given a chance to state his problems and recommendations to the Saigon delegation. Heard most often were requests for: (1) very substantial increases in RF/PF to expand and improve territorial security; (2) relief from inroads being made into province and district administrations by mobilization, and accompanying attraction of civil servants to higher paying jobs outside government; (3) strengthened government at village/hamlet; and (4) more arms for self-defense. The President called upon the Ministers in turn to answer publicly the suggestions and solve the problems raised by the field. This put the Ministers to test and served notice that Thieu expects them to follow up and make good their promises. They have lots of work to do.

Thieu's final "instructions" were the high point of each seminar. He spoke for over an hour from brief notes urging greater attention and effort on pacification as the answer to the enemy's apparent shift to a more political phase. He stressed: (1) pacification is much more than RD and includes expanding territorial security, stepping up the attack against the VC infrastructure, improving local government, reviving the rural economy; (2) round-the-clock territorial security in the villages and hamlets is the first prerequisite of pacification—to this end every hamlet must have its own PF unit; and (3) village and hamlet government must be improved by better training for officials, by giving officials enough means (weapons for self-defense, control of PF units, and an adequate budget). These are things which we also have been emphasizing.

Thieu indicated his full support for the "one man, one vote" policy. But, he said, we must make pacification work so that we win over the population and, as a result, no communists are ever elected. Thieu's presentation perhaps suffered somewhat by listing too many priorities—e.g., build up the cities as well as the rural areas; and protect the rural people better but also the lines of communication, the cities, and important installations. The seminars were, however, impressive and highly useful shows. Repeat performances are tentatively planned next week in I and II Corps. Both Thieu and Huong say they expect to hold similar sessions every two months. Everybody seems to be headed in the right direction but producing real results in the pacification business is a long, tough process.

July results of the attack against the VC infrastructure show a better than 10 percent gain over June as 1,291 identifiable enemy political cadre were neutralized. This improvement comes on the heels of President Thieu's 1
July decree formally establishing the Phung Hoang program and hopefully portends a generally upward trend in this important aspect of pacification. Thieu and Khiem are seized with its essential importance. With their backing, which was reiterated at the pacification seminars, the program is getting increased attention from corps commanders, province chiefs, and police officials.

During a period of relatively increased Viet Cong activity, the Saigon Retail Price Index rose five percent over the previous week's level. Non-food items were up only one percent, but foodstuffs rose six percent. Pork prices rose 15 to 20 percent and vegetables, other than those from Dalat, were up 20 to 30 percent. Some rice varieties increased in price slightly. The destruction of two bridges on Route 4 south of My Tho, linking Saigon and the Delta, probably accounts for most of this increase.

The black market dollar rate edged up to around 215 piasters late last week but was steady at the beginning of this week.

The GVN has yet to act on its planned rice purchase program. Although the Government announced its intention several weeks ago to purchase large quantities of Delta rice, it has not taken the specific steps to put such a program into effect. In the meantime, the rice merchants have been unable to make additional purchases of paddy. It is estimated that from 150,000 to 200,000 tons of paddy remain unsold on farms. There has been a slight firming of paddy prices in the last few weeks, probably in anticipation of the GVN's purchase program as well as the call up for delivery to Saigon of the 37,000 tons of rice purchased by the GVN last April.

Two drafts of a decree implementing the war risk insurance law have been on President Thieu's desk for decision for a week. One, prepared by the Ministry of Finance, is rather weak; the other, proposed by us, seeks to strengthen several key provisions.

The Mission has addressed a note to the GVN again proposing prepayment of $35 million in DLF loans to bring GVN foreign exchange reserves back to $300 million. We have repeated our earlier proposal that the GVN make a firm commitment before the end of August to prepay the loans in full by September 30.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY SIXTY-FIFTH WEEKLY TELEGRAM, SEPTEMBER 4, 1968  While it is probably too early to make a definitive assessment of the enemy's current military effort, it seems to me that the picture which has emerged is encouraging. Certainly all the evidence, intelligence, interrogations, statements from Hanoi, indicated the enemy's intention of launching a major offensive. The weapons and munitions uncovered prior to his August attacks were more than twice the amount picked up before the May offensive. But the enemy's effort to get his offensive off the ground has been almost totally frustrated. He has had no victories either military or psychological.

In the effort to mount an offensive, the enemy has suffered heavy losses, about 8,500 KIA in the first ten days of the ground fighting. Intelligence indicates that planned attacks on Saigon, CanTho, CaiLai, the DMZ area, and the QuangTri–ThuaThien area have all been thwarted or postponed as a result of our operations. A serious enemy effort to enter Danang was balked, the enemy losing 1,200 men and gaining nothing of consequence. In I Corps, the enemy is known to be unable to care for his wounded; General Abrams reported one pitiful case where a woman was forced to donate whole blood for wounded enemy troops to the point of complete debilitation.

During these recent enemy attacks, the performance of RVNAF has been particularly encouraging, a demonstration that its improvement continues. The enemy badly needs a victory with some psychological impact, but it was the RVNAF which succeeded in that kind of victory at Duc Lap. In all the Corps areas, the RVNAF have done well. General Abrams reports that the Vietnamese have carried a greater share of the fighting than in any previous enemy offensive and points out that they have inflicted twice as many KIA on the enemy as have our own forces.

Perhaps partly as a result of our successful response to the enemy effort, he has resorted to sharply increased use of terror. In I Corps, undefended hamlets have been attacked, civilians killed and wounded and houses burned. While Saigon has not been rocketed since the night of August 27–28, other population centers have continued to receive indiscriminate shelling. Danang was hit with thirty-one rockets on the night of September 1. Twenty-six civilians were killed and 45 wounded in that attack. We are making an effort to publicize this kind of attack. The shelling of Saigon evoked a prompt response all over the world and I believe that response impressed Hanoi. Now, however, the enemy continues to shell other South Viet-Nam cities, and
little attention seems to be paid to it outside of Viet-Nam. But the rockets that fall on Danang are just as deadly as those that fall on Saigon, the people are just as dead, and the civilian population just as much the victim of pure terror.

In my talk with him on August 30, Thieu expressed the view that the enemy will try to sustain his military efforts over as long a period as possible with the objective of influencing opinion in the United States hoping thereby to force important concessions in negotiations. He believes that the enemy now no longer has the capacity for an all-out overall offensive and will, therefore, resort to a “rolling” offensive, as he put it, “battle by battle” in an effort to conserve his forces and at the same time hoping for some individual spectacular result which will impress U.S. opinion.

It seems to me that Thieu’s view may well turn out to be correct. Basically, the enemy would appear to have three options: cancel his third offensive; pressing the current effort forward with all the strength at his disposal; or delaying major attacks while keeping up pressure on secondary targets such as province capitals, thus stretching out his effort while minimizing losses. For the immediate future, I believe the enemy is most likely to adopt the third course—not because he wants to but because we have forced him to. As I mentioned in last week’s report, I believe that the improved coordination of the Vietnamese and Allied forces and their more effective utilization, the improved performance of the RVNAF and our effective and skillful spoiling tactics have been responsible for this.

There is also the possibility that at some time the enemy will recognize the futility of his efforts and call for a ceasefire at a time of his choosing. Thieu thinks that this will happen sooner or later and he is trying to prepare for it in a variety of ways. One indication of enemy plans for such a move may be the intensified effort to set up “liberation committees” at various levels around the country, in many cases trying to parallel GVN administrative structures. In a ceasefire situation, the enemy might claim such committees were in effective control of many areas.

On balance, I am inclined to believe the enemy will persist with a “rolling offensive” for some months, quite possibly until after our presidential election. Our success in frustrating the enemy militarily could, however, result in an abrupt change in his attitude and we should be prepared for such a move. We have, of course, been discussing this possibility in our consultations with the GVN. If the enemy should call for a ceasefire, it would be important to safeguard GVN ability to support and if necessary to continue to maintain its administrative apparatus at all levels. We should not “recognize” any enemy acquisition of territory as a condition of a ceasefire: This would be tantamount to a de facto partition.

The failure of the enemy offensive, the results of the Democratic Convention, and the growing strength of the Thieu/Huong government have caused a perceptible improvement in morale here. Not only the GVN but people in general seem to gain more and more confidence in the future. There is less
questioning of our determination, more willingness to accept the Paris talks, and greater acceptance of the idea of a political settlement. There is noticeably less fear of a future political contest with the communists.

In this connection, I was encouraged by a report from I Corps. It stressed the fact that there was increased awareness there that nationalist political groups must unite to face the communists. I Corps political factions have been famous in the past for their multiple divisions; now they are apparently trying to sink their differences and join together in Thieu's Lien Minh.

I think it is important that Thieu has again expressed to me his awareness that the Lien Minh must have his personal leadership. He also said that he is trying to sharpen up the focus of the Lien Minh social welfare effort, which is about to get underway in Saigon. The effort has a long way to go, but it seems to be moving; cadre are being trained and should go into action very soon.

In my opinion, the Vietnamese nationalists have some reason for confidence. It is true that as of now they lack political organization and united political leadership. But Thieu and the Lien Minh are moving to solve that problem in several ways. Thieu is paying particular attention to the problem of winning over formerly neglected groups, such as women and youth. At the same time, both he and Huong are not losing sight of the fact that increasingly effective government is in the long run the most effective means of gaining the people's support. Also important in the long run is the simple fact that the great majority of the Vietnamese people do not want a communist government. If the nationalists can at the crucial point succeed in putting the issue in terms of a communist versus a nationalist candidate, I think there would be little doubt of the outcome.

Also favoring the nationalists in a political confrontation should be the important backing of the nationalist military and civil administration. To the degree that these can be used as nationalist cadre they could counteract the several hundred thousand communist cadre that Thieu estimates are now in place in South Viet-Nam.

There is also the fact that the communists have never waged a peaceful political struggle here. To the degree that the peace settlement deprives them of the use of force and terror, they will be obliged to abandon their favorite tactic, which is to combine political blandishment with a large measure of military persuasion.

We have need to be very careful in agreeing to terms for a ceasefire in a future political contest and we must stay in close step with the GVN. But given a reasonable chance, I think the nationalists can and will prevail in South Viet-Nam.

On September 3 I traveled to Chau Doc province on the border with Cambodia. I saw a number of encouraging developments which you may find of some interest, because they illustrate the kind of things that are happening elsewhere in South Viet-Nam.
[Name deleted] is a fine example of the new men the government is putting in as replacements for those found corrupt or incompetent—his predecessor was one of the worse. He has already infused new life into key programs and our province advisory team feels certain that across-the-board improvements are in the offing. There is also a newly-appointed police chief on the scene, again reported to be an enormous improvement over his weak and corrupt predecessor.

I got out into the countryside and talked to a farmer who was full of enthusiasm about the new IR-8 rice—his second crop this year—in which he claimed to have a handsome profit; visited a village school built as a self-help project, of which the villagers were visibly and understandably proud; and went through a quite primitive but "vertically integrated" silk textile operation—an industry which with some encouragement and help could become important to the province, I am told.

The VC are a threat in this area only because of the Cambodian sanctuary. Infiltration of weapons, ammunition and supplies from Cambodia through Chau Doc is heavy. Many large caches have been taken en route. Our province team reports seeing whole convoys of trucks moving up to the border from the Cambodian side at night. They are convinced that this traffic is of vital importance to the enemy's effort in the Delta and in III Corps.

Prime Minister Huong is pressing his drive against corruption. In this effort he has the enthusiastic and sometimes free-swinging support of a number of Assembly deputies and the local press. Unfortunately, it now appears that the effort may have generated some tensions within the government, and as an indirect result three newspapers have been suspended as of today.

We had a report some time ago from Information Minister Thien to the effect that Huong was prepared to make "a public scandal" if Thieu proved unwilling to move against 62 high-ranking offenders. We are still not certain how much credence to put in this report; however, the government's response to a similar story by AP was remarkably strong. The GVN not only issued a categoric denial of the AP story as "totally without foundation," but suspended publication of three dailies which carried the AP account.

According to the official statement on the suspension of the papers, at least two of them were warned against using the story but printed it regardless. White spaces in several other papers indicate that they decided against printing the story after a similar warning. This of course amounts to de facto censorship. It is likely to provoke considerable opposition here and will certainly do nothing to improve the GVN image abroad.

The evident GVN sensitivity to the AP story may mean that Huong and Thieu have some important differences on how fast and how far the anticorruption drive can go. It could also mean that Thieu and Huong are in agreement but are determined to control the pace and direction of the anticorruption program and will not be pushed by the press. We will be watch-
ing these developments closely and will be considering whether some urging from us is needed to assure lifting of the suspension.

This event should not be allowed to obscure the progress that Huong has made in his efforts against corruption. I reported recently on the establishment of corruption committees in every province and every ministry. They are intended to find and implement measures to prevent corruption. There is also a steady effort to replace corrupt province and district chiefs, and the results are becoming apparent in improved government. Huong's office this week put out an order requiring all civil servants to submit an accounting of their property. Also announced was the punishment of a number of officials whose records have been investigated recently. These included a deputy province chief and a provincial police chief.

Probably in part because of Huong's efforts, a number of Assembly deputies have made public charges of corruption against various officials. Probably not all of the charges can be substantiated, but many are likely to prove true. These public charges and the press accounts of them should tend to reduce corruption. Unfortunately, they may also have contributed to fears in some government circles that the anti-corruption drive was getting out of hand.

On the plus side this week, I should also mention the increased efforts of the Information Ministry and the Assembly to get the SVN story to the world. Something like eight Assembly delegations are fanning out to every continent during the month of September when the Assembly will be in recess for several weeks. Their chief objective will be to win support and understanding for the GVN. The Information Minister is also putting heavy stress on improved information work abroad. In this connection, our new joint US-GVN daily press briefings are proving effective in putting GVN and especially improved ARVN performance in better perspective.

We also have a report that the Prime Minister and the Cabinet favor increased emphasis on land reform. According to this report, the Cabinet is agreed that land reform should be part of the GVN political action program and should include urban as well as rural areas.

I reported last week on the action at Due Lap Special Forces Camp and sub-sector compound. On August 28, President Thieu visited the Special Forces Camp, but couldn't land at the District compound because the fight was still going on there. However, he promoted the sub-sector commander, who had done an outstanding job, from captain to major and gave two other battlefield promotions from his helicopter to officers who had distinguished themselves and were still engaged in the fighting.

General Abrams tells me that the II Corps Commander, General Lu Lan, handled the Duc Lap action "with consummate skill," reinforcing from coastal areas rather than drawing his troops from Banmethuot as the enemy no doubt hoped he would do. Thus the enemy lost at least 644 killed and 154 individual and 58 crew-served weapons without having the slightest impact on the defenses of Banmethuot.
Also in II Corps, elements of the ARVN 22nd Division, in coordination with our 173rd Airborne, inflicted 122 KIA on the enemy in Binh Dinh province over the period August 22–28, at a cost one US and two ARVN killed.

In I Corps, the 21st and 31st ARVN Ranger battalions and the 51st ARVN Regiment continued to maul the enemy in the Danang–Hoi An area, thus contributing signally to the defense of Danang, a key enemy target at present. Preliminary reports received last week showed that these units killed 275 of the enemy in this area from August 29–31 and (on the basis of incomplete reports) captured 50 weapons (5 crew-served), losing 28 KIA themselves.

In the Delta, General Abrams reports that the ARVN, RF and PF are continuing to do a fine job of keeping the pressure on the enemy. Examples during the past week were operations in the Cao Lanh area (Kien Phong province) by units under the command of the 44th Special Tactical Zone, in which 171 enemy were killed and 21 weapons and considerable ammunition and fuel captured, with friendly KIA only eight; an operation south of Vinh Long by the 9th ARVN Division which killed 23 enemy, captured eight weapons and 47 grenades with 1 friendly KIA; and a 32nd ARVN Regiment (21st Division) operation northeast of Ca Mau which killed 25 enemy and destroyed an arms factory at a cost of one ARVN soldier wounded.

As I mentioned earlier evidence continues to pile up that the enemy is pushing hard to establish “liberation committees” in the countryside. Despite his seeming lack of success in eliciting popular response, almost every province reports that some village “liberation committees” in one form or another have been set up—frequently by drawing candidates from the local communist party who have to serve if directed. The date of 2 September was set as the deadline for also organizing district and province level committees. And just recently, we learned that Danang became the third city—Hue and Saigon being the others—with a chapter of his so-called “Alliance.” All this betokens preparation for some kind of a political initiative by Hanoi. Under the right conditions he could surface his “committees” and lay claim to considerable portions of the countryside and a certain degree of legitimacy. This preparation of the “political battlefield” by the enemy could cause GVN and ourselves serious problems in the future.

Therefore, we are drawing up a program to suggest to the GVN ways to neutralize this VC political structure through the Phoenix program and at the same time develop stronger GVN local institutions as a counter. Although strengthening local government has long been part of pacification, GVN execution has not been very effective. Again, this has been a management problem of trying to improve administration in some 8,000 hamlets and 1,500 villages over which the GVN exercises the dominant influence. Also complicating have been the considerable enemy effort to thwart GVN plans. For example, in one district in Quang Tri 17 out of 40 local officials who received training during the latter part of 1967 have been killed or abducted since Tet.

Self-defense, which is tied in closely with improving local administration, is still getting top-level attention. Thieu has stressed its importance at his two
pacification seminars; Huong and his Ministers are presiding over province ceremonies marking self-defense month; and much is finally being undertaken at local levels. An impressive 421,000 members have been signed up for self-defense groups, though only 39,000 have been armed as yet. Less than one-third of the self-defense members trained so far to use weapons have been armed. We are seeking to break the logjam.

The RF and PF—which are the security key to more effective, lasting pacification—showed marked improvement in July according to reports just analyzed. RF strength assigned to tactical units increased 8,200 (seven percent); PF field strength rose 2,900 (two percent). Improvements were measured by each of the gauges used to keep track of the 6,000 RF/PF units—strength, training, fire power, supply support and most important—operation. Officer and NCO strength is rising also.

Pacification has not yet been set back to any great extent by recent stepped-up enemy combat activities. While the Tet offensive, and to a lesser extent, the post-Tet attacks caused many units to draw back to defend the cities, there has not been a similar redeployment of friendly forces in recent weeks. By and large enemy attacks have failed to disrupt ongoing pacification activities, nor has the enemy targeted rural areas except through increased terrorism and harassment of RF/PF units and RD teams. But we have noted the sharp decline in the Chieu Hoi rate which normally accompanies an enemy offensive. It is also significant, I think, that Thieu went through with his pacification seminars in the midst of enemy attempts to get an offensive geared up.

Retail prices declined about one percent in Saigon this week. The decline spread across most of the food products which reach Saigon via Route 4, and can be attributed to repair of the two bridges damaged by the VC last week. Rice prices, however, firmed slightly.

The black market rate for dollars slacked off markedly this week, a response perhaps to the fact of Vice-President Humphrey's nomination and the failure of the VC to attack Saigon again.

Despite a continuing discussion with the government on economic policy measures—rice supply, war risk insurance, and taxation—little action has occurred. Minister Ho claims that prices paid to the farmer for paddy rice have risen in the Delta, but his principal preoccupation seems to be with threats to punish violators of the price-control laws, a wholly useless exercise in our view.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY SIXTY-SIXTH WEEKLY TELEGRAM, SEPTEMBER 12, 1968

From both a political and military viewpoint, this has been a relatively quiet week. The Vietnamese continue to be encouraged by the apparent failure of the enemy to get his long anticipated third wave attacks moving. It is evident from the most recent intelligence that everywhere his plans have been disrupted; and it is obvious that everywhere the attacks have been blunted and turned back with very heavy losses to the enemy. A significant development has been a sharp increase in terrorism, but this has had little or no effect on morale; on the contrary, most Vietnamese seem to read the increased use of terror as a sign of enemy weakness and frustration. I think that Vietnamese political leaders in general also continue to be heartened by the outcome of our national conventions. They consider that both Vice President Humphrey and Nixon are committed to principles which give them a reason to hope for a peace settlement which they can accept.

When I saw Thieu yesterday, he said he thought the communists are having to revise their tactics in this offensive. Earlier he thought the VC would stage spectacular attacks against Saigon, Danang, and in I Corps, but they apparently have decided that spectacular attacks will only lead to "spectacular casualties," which they cannot continue to take, and a "spectacular defeat" obvious to everyone for the third time this year.

This leads him to the conclusion that the third offensive will take the form of "persistent pressure" in one place and then another, where the communist losses will not be so obvious and the effect on their morale and prestige less. This is also partly to conserve manpower. He expects these low-wave attacks will continue for as long as they can sustain them, possibly until after the U.S. elections when the communists will review where they go from there.

He is inclined to think that Hanoi may come up with some new proposal between now and the elections, possibly a ceasefire-in-place. He is puzzled why they have not done so already, for this would present great difficulties to the GVN and to us.

I said I was inclined to agree with him. I had been particularly struck by the staggering increases in assassinations and kidnappings over the last four weeks. Assassination of civilians had risen from 62 four weeks ago to 274 last week; the wounded from 176 to 716, and abductions from 92 to 429. It was as though they were exterminating and eliminating every possible opponent in anticipation of some dramatic move on the negotiating front.
Turning to another subject, Thieu said jocularly, "There is now such speculation in Saigon about coups. One set of rumors has it that the U.S. Government thinks a new government must be installed that would be more amenable to a coalition settlement, and is plotting a coup before the elections to help Humphrey. Another rumor has it Nixon has sent an emissary here to discuss with Ha Thuc Ky a coup for a change of government to take place after Nixon wins. A third rumor is circulating that pro-Nixon Republicans in Viet-Nam are preparing a coup to take place before the elections in order to show how unstable things are here, discredit the Democratic administration, and help Nixon win." I said the Vietnamese have too much imagination, and Thieu agreed.

I noted in my last message reports of possible differences between Prime Minister Huong and President Thieu on measures against corruption, and I reported the suspension of three newspapers which carried an AP story about such differences. Thieu assured me yesterday that there were no such differences between Huong and himself. He described the circumstances surrounding the suspension of the three papers. Ten newspapers had the AP story and were warned in advance that it was untrue. The three papers which were suspended ignored the warning and printed the story. In fairness to the seven who had refrained, the three papers were suspended for a week.

In the meantime, the move against corrupt and incompetent officials continues. During the last week, the government announced that four province chiefs were being removed "in order to push forward vigorously the anti-corruption campaign." It was announced that two of the province chiefs are to be tried on charges of corruption. Thieu told me that all four were removed either for corruption or on suspicion of corruption.

Huong also announced the suspension of the Director of Examinations in the Ministry of Education because of allegations of graft and irregularities in the recent countryside baccalaureate examinations. This move came in part as the result of an outcry by several Assembly Deputies. The issue is particularly important now because failure in the baccalaureate examinations means immediate drafting into the army for many young men.

Since Tet, the government has moved to change twenty-three of the forty-four province chiefs. Not all of those were made on grounds of corruption. One was due to wounds inflicted by the VC, one province chief died, a few resulted from normal end of tour duty, and some were replaced because of incompetence. However, of the thirteen province chiefs whom we specifically recommended for removal, eight have been sacked. Others against whom we did not have evidence have also been replaced because of corruption.

While ineffective and corrupt officials are being removed, at the same time Thieu and Huong are trying to find the best men available to replace them. There is general agreement that the new National Police Director, Tran Van Hai, is completely honest and that he has done a great deal to clean up the National Police in the short time he has been in the job. He has removed and
disciplined more than five hundred police officials, and we have reports of decreased corruption by the police as a result.

A second training program for future province and district chiefs began September 9 with one-hundred ten prospective candidates. Thieu told me yesterday a careful screening had been made of the candidates in order to get the best possible men for the job. Presumably, there will be more changes when the course is completed. I might add that Huong was reported as saying there were only thirty-five volunteers for the course; he commented that it is now well understood that province and district chiefs can no longer enrich themselves as a result of their position, and military officers are much less anxious for each duty as a result.

It is also probably worth noting that the government has acted against a corrupt Embassy official in Bangkok, and the notorious Mai Den has slipped out of the country, most likely because he feared arrest and trial for his many nefarious activities under General Loan.

I do not mean to say that corruption has been cleaned up by any means. There is still a great deal of skepticism here about the end result of the measures Thieu and Huong have taken, and that skepticism is an important political fact in itself. Critics are quick to point out no generals, indeed no top ranking officials, have been charged and tried. (Though not announced publicly in those terms, several top officials have been removed because of corruption, however.) They particularly note that no action has been taken against General Loan or any Corps Commander despite many allegations. A great deal clearly remains to be done even within the civil service and the police. The military in particular need to clean house more energetically.

Nevertheless, I think it can be said the level of corruption has definitely been reduced. We hear from a variety of sources that the petty graft which was customarily extorted by various police and civil servants for their services has declined greatly. For example, the departing Japanese Ambassador told me that his nationals have reported that the fee of 200–300 piasters formerly demanded by the police for access to Tan Son Nhut airport was no longer asked for and that "gifts" for the issuance of exit visas, sometimes running as high as 10,000 piasters, were no longer requested. Both our CORDS personnel and our provincial reporters are agreed that the new province and district chiefs are generally cleaner and considerably more effective than their predecessors. From a purely political point of view, I think it important that virtually all political elements give Huong credit for trying hard to eliminate corruption; even those who are skeptical about what has been accomplished still trust Huong and hope for his success.

Perhaps symptomatic of the progress, and the skeptical but still hopeful attitude of the people toward the anticorruption effort, is a humorous article which appeared recently in a local daily headed "contagious disease threat." The story solemnly recounts efforts by unnamed civil servants to force a fellow employee to take a sanity test. Their doubts about his sanity sprang from the observation that he not only processed documents with amazing speed and
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efficiency but steadfastly refused all "gifts" for his services. As the article notes, "No one in recent memory has gained a reputation for such an odd attitude towards the responsibilities of a government position. The employee in question was even heard to remark, when asked why he turned down the gifts, 'I'm just trying to fulfill my duties in good conscience.'" The article concludes that others now feared that this strange malady might become contagious.

I should also mention that both Thieu and Huong are travelling more widely and more frequently throughout the country. Last week, Thieu made a swing through the Delta and also visited two provinces in I Corps. He speaks to all sorts and conditions of men and women on these trips, often quite informally, usually about the most pressing problem before the nation—peace. Very often he distributes land ownership titles as part of the land reform program, and he also frequently encourages the farmers to plan the new high yield varieties of rice which we and the GVN have been pushing.

Last week, Thieu made a special point of meeting with civil defense groups and encouraging them to move forward in organizing a strong civil defense program. He told his audiences that civil defense must aim now in protecting the people in military terms, but even more important, after peace is restored, civil defense organizations must also serve to protect the nation in the political contest with the communists. In I Corps, while reassuring his people that there will be no coalition government and no cession of territory, Thieu also made it clear that the communist threat will not end when the fighting stops. On the contrary, civil defense must then become more active because it must organize the people to wage the coming political struggle. (Prime Minister Huong made much the same kind of speech September 9 to officers beginning the training program for future province and district chiefs.)

In travelling around the country and speaking to his people, Thieu gets a firsthand look at the situation in the provinces while reminding the people that the Saigon government is concerned with their problems. He is also obviously preparing public opinion for the coming negotiated settlement and the political struggle likely to follow. I believe his efforts contribute materially to the growing feeling among political leaders of all persuasions that they must somehow find a way to unite in the coming political struggle.

Two areas where we and the GVN are sometimes criticized may be worth a comment this week. It is pointed out every so often that we have lost three generals in the Viet-Nam war while ARVN has lost none. On Monday, General Truong Quang An, the able young commander of the 23rd ARVN Division, was lost in a helicopter crash near Duc Lap, the cause of which is not known but may have been enemy fire. His wife, a lieutenant in the Airborne Brigade, and Viet-Nam's first woman nurse-parachutist, was killed with him.

Our handling of refugees has, as you know, been much criticized in the past. Messrs. Baxter and Kuehn, acting for the Inspector General of Foreign Aid, have just completed an exhaustive four-week review of the refugee situation here (you may remember Bill Baxter as the former Rector of St. Mark's Episcopal Church in Washington). They concluded that in three of the four
Corps areas, the refugee problem is minor and is being adequately handled. In fact, Baxter told me that in II, III, and IV Corps, they did not consider that it was any longer a problem. They were impressed by the quality and dedication of U.S. refugee advisers. Only in I Corps did they find serious problems. More than half the total number of refugees are in this Corps area and refugees are still being created. There they pointed out that many camps are in very bad condition, and mobilization is hampering efforts to help the refugees by pulling out experienced refugee workers. They recommended that a greater proportion of our own and GVN resources be applied here and this is already underway.

Baxter and Kuehn also observed that in checking many military and civilian hospitals, they saw no civilian casualties suffering from napalm burns. They also noted that every U.S. military hospital visited had space available for civilian casualties.

I noted in my sixty-fourth message that we were hopeful that the ICC and the press would take up Sihanouk's invitation to visit the Ba Thu area to determine if there were in fact any enemy installations there. Sihanouk subsequently reneged on the invitation, and the RKG has publicly characterized the information we furnished them as "fiction."

I find this action by Sihanouk particularly distressing in light of the recent clear evidence that the Nam Lyr area in Cambodia was used as a staging ground for the attack on the Duc Lap CIDG camp. The NVA First Division moved into the Nam Lyr area in July, and it was elements of that Division, operating from Nam Lyr, that attacked Duc Lap on August 23. Seven-hundred seventy-six enemy and 161 allied personnel were killed in this action. We have provided so much evidence, and the scale of activity is so large that enemy use of Cambodian territory certainly cannot be unknown to Sihanouk. It seems to me quite evident that he wants to conceal the facts. It also seems apparent that neither this gross violation of Cambodian territory nor the heavy cost to Allied forces has had any influence on his thinking, at least in terms of actions which might reduce the VC/NVA use of his territory.

The schedule for the formation of the Supreme Court was established by the Senate this week. Judges', jurists', and prosecutors' associations will select 150 electors by September 17. The electors will in turn name 30 candidates on October 5, and on October 15 the National Assembly will select nine Supreme Court judges from the 30 candidates.

Also during the week, a by-election was held in Saigon to fill the Lower House seat vacated when Deputy Tran Van Ngan died of a heart attack. Winner in a field of 27 candidates was Mrs. Tran Kim Thoa, a member of the Saigon City Council active in social welfare work and known for her efforts on behalf of the poor and workers.

Speculation about the possible return of the exiled generals ran high again this week, particularly with regard to Big Minh. Thieu told me he personally has no objection to Minh's return, but some feel Minh is so politically active, he could be used by the Buddhists to create trouble. Minh has applied for
permission to return, and Thieu is sending a friend to Bangkok to discuss the “facts of life” with him. If Minh does return, Thieu said he might make him an adviser or counselor to the President’s office. He asked my views. I said Minh’s return would create a good impression here and abroad. It would show that Thieu is confident about the stability of his regime and not worried about coups. It would be evidence of Thieu’s efforts to develop national solidarity.

Thieu has passed the ball back to the Assembly on the Buddhist Charter. In response to requests from 40 Deputies that he abrogate the Tam Chau Charter, Thieu has sent a letter to the Assembly suggesting that they study and discuss the possible amendment of Ordinance 10 as regards its provisions for religious organizations. The letter also reportedly suggests that the Assembly consider ways in which the constitutional provisions for freedom of religion can be made more concrete in terms of legislation. So far neither the Assembly nor the An Quang Buddhists have responded to this move. (The Assembly is in recess until October.)

Terrorism has taken a sharp turn upward. Vietnamese civilians killed by enemy terrorists during the past four weeks numbered 62, 120, 202, and 274, respectively. The figures on wounded are equally striking: 176, 247, 661, and 716. Saigon in particular was hard hit in the past week. One rocket struck the city, killing one and wounding 11 (the dead was a woman and the injured included eight children and two women); an information hall was blown up, with nine killed and 55 injured (the dead included two young girls and three children); four teachers were gunned down in the hall of a Saigon school (one dead, three wounded); plus numerous other incidents of grenade throwing, shootings, etc. In one 24-hour period, September 6, there were seven incidents, with a total of ten dead and 70 injured.

As noted above, this has been a relatively quiet week from the military viewpoint. No major assaults were launched on important targets. The general pattern of enemy activity was to avoid heavy contact and conserve manpower.

It appears that the enemy thought he could score significant successes in outlying areas in the round of attacks launched August 18. He believed we would be unable to react effectively without weakening dangerously the defenses of more important targets. If we did expose more important targets by our reaction, he would of course move to exploit that.

There is evidence that the enemy is now reassessing his strategy in light of the heavy losses suffered since August 18 in an effort which has availed him little. He has suffered at least 12,000 KIA since that date (not including any estimate of casualties inflicted by B-52 strikes), which is over 75 percent of what the May offensive cost him in a comparable period. It is notable that ARVN forces inflicted over half of these casualties. ARVN forces suffered more than twice as many killed (1,431) as did U.S. forces (636) during this period.
In I Corps, the enemy's troubles were multiplied by Typhoon Bess. He was already short of food, and the additional losses of stored food may well force him to foray into the Quang Tri lowlands to gather food.

You will recall my report of August 22 of the brilliant stroke by elements of the ARVN 1st Division against the 138th NVA Regiment in the eastern DMZ area. The 138th was so decimated by this and other attacks by the ARVN 1st Division that it appears to have been pulled back into North Vietnam. A new NVA regiment has moved into that area recently.

In II Corps, the enemy has lost a total of 839 KIA in the continuing action near Duc Lap. We estimate that at least two-thirds of the forces originally intended for the assault on Banmethuot have been thrown into this “diversion.” The ARVN continue to do well there. For example, in an action near Duc Lap on September 8, the 1st Battalion, 49th ARVN Infantry, supported by our gunships, inflicted 47 KIA on the enemy, captured six weapons, losing two ARVN killed and two wounded.

It is in III Corps that the hardest fighting goes on. Our forces are doing a magnificent job against the enemy in the Tay Ninh–Hau Nghia area in an attempt to defeat him there rather than to wait for him in Saigon. ARVN is doing its part in this fighting, as elsewhere. The 2nd and 9th ARVN Airborne Battalions and the 2nd and the 4th ARVN Marine Battalions are currently engaged against an enemy force of at least two battalions on the outskirts of Tay Ninh City. On September 6th a battalion of the ARVN 25th Division, reinforced by the 34th ARVN Ranger Battalion, killed 55 enemy in Tay Ninh province while losing 15 killed and 17 wounded. On the same day, the 164th RF Company, supported by ARVN artillery, killed 10 and captured 1 while suffering no casualties.

Enemy activity continued light in the Delta. ARVN forces kept pressure on with elements of the 9th Division carrying out successful attacks in Sa Dec on September 5th and, along with RF/PF, in Vinh Long September 8, and the 32nd ARVN regiment (21st Division) continuing the operations in Ca May that I reported on last week.

I am deferring discussion of pacification until next week when we shall have on hand the August figures for the Hamlet Evaluation Survey, and I shall be able to give a more complete picture of where we presently stand.

Retail prices in Saigon fell significantly this week. The US AID index dropped four percent, despite a two percent increase in the retail price for rice. The decline was due chiefly to widespread drops in prices of perishable foods, reflecting relatively secure conditions on main transport routes. The increase in rice prices seems due in part to the GVN's withholding of U.S. rice from the Saigon market and may also be partly seasonal. Deliveries of Delta rice to Saigon dropped significantly during the second half of August. We are now in mid-growing season, and from now until new-crop rice begins to appear, old-crop rice will tend to be firm in price.

Our latest soundings suggest that farm prices of paddy are still too low in the Delta to encourage production, despite recent firming of retail prices in
Saigon. We have, however, been unable to persuade the GVN to take any further moves to support prices paid to the farmer.

The war risk insurance decree remains unsigned. We are still very interested in this measure, because reports continue to come in showing low levels of commercial activity in many areas, and we believe confidence and war-risk factors are important to a recovery.

The Minister of Economics has informed us that the GVN will export 10,000 tons of surplus red rice for which there is no market in Viet Nam. Secretary Freeman agreed in principle to this, subject to submission of details to the U.S. Government for review.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY SIXTY-SEVENTH WEEKLY TELEGRAM, SEPTEMBER 19, 1968 While the level of military activity last week continued to be below that of the August high, I think its pattern was significant. Friendly forces kept constant pressure on the enemy, holding the initiative in all parts of the country. Large stocks of weapons and ammunition were captured, additional evidence of the buildup for an offensive the enemy has been unable to get off the ground. ARVN forces continued to improve, accounting for 60 percent of the 2,284 enemy killed and suffering 60 percent of the 635 friendly killed during the week.

While terrorism was down from the previous week, it was still high and VC efforts to organize local governmental and administrative bodies proceeded apace. This pattern of combined enemy military and political activity has led Thieu to revise somewhat his analysis of current enemy strategy.

Failing to get a major offensive off the ground, he believes the enemy will now revert to the tactic of attempting to control more and more territory and thus divert more of his attention to rural areas. While he will exploit any opportunity he may discover to carry out attacks on cities, and will attempt to exert enough pressure to hold allied troops near the urban areas, his real objective will be the countryside. He believes the enemy’s purpose will be to attempt to occupy more and more villages hoping to move to a position to propose a ceasefire in place; then perhaps to ask for elections in the belief that people in the areas controlled by the communists would vote for them.

Douglas Pike, who has followed enemy strategy closely for many years, told me during the week that he believes the enemy is going through a period of great doctrinal indecision. He believes three lines of policy are currently being advocated in Hanoi. The first, favored by Foreign Minister Trinh, sees a way out through negotiated settlement. The second, favored by Truong Chinh, wants to go back to “protracted war” along classic Maoist lines. The third, favored by General Giap, claims that the only road to victory lies in continued maximum offensive military pressure. Pike feels that the strategy of the winter-spring offensive, favored by General Giap, has become so patently barren that he too foresees a shift in Hanoi strategy. He does not believe that the advocates of serious negotiations will prevail, largely because of Hanoi’s experience with the outcome of the 1954 Agreements. He, therefore, believes that the “protracted war” school will finally prevail in the North. Indications that they were making such a shift would be a renewal of training
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and indoctrination in guerrilla warfare, avoidance of contact with large friendly military formations and greater attention to securing a firm hold on the countryside. He agreed that such a strategy might be pursued only until such time as American withdrawal was achieved; then a return to the "general offensive" could be made.

Quite obviously, no one can predict which way the enemy will turn, but the evidence that he is at a fork in the road is mounting. It is not yet conclusive. A report of a late August study session for cadre from COSVN and Military Region 4 revealed the leadership defending the strategy of the winter-spring offensive, which called for "prolonged combat, continuous attack, and unrelenting striving for victories, intense guerrilla warfare and mobile warfare coupled with concentration of forces in order to wear down and destroy the enemy's forces." It also revealed, however, that this strategy is increasingly questioned by the cadre and that the leadership is on the defensive in discussing it. They are able to claim only a most limited success and are forced to resort to explaining obvious failures as resulting from "subjective views" of a number of leading cadre who did not correctly assess the enemy strength and capability, and from lack of coordination of the various aspects of the offensive. So it would appear pressure for a change of course is implicit even in this.

You will recall that I have previously mentioned a distinct possibility that the enemy, faced with a deteriorating military situation, might try to make a virtue of necessity by some dramatic call for de-escalation. In the United States and abroad, his objective would be to influence public opinion and gain a psychological advantage. Here, as a minimum, he would hope for a respite from our pressures and a chance to rebuild for renewed attacks. As a maximum, he might hope to exploit the resultant situation politically to realize gains he could not help to make on the basis of the military situation on the ground.

In my talk with Thieu on September 13, it was clear that he has given this possibility a great deal of thought. He is particularly concerned about the possibility of a ceasefire "in place" or "temporary ceasefire," which could lend itself to the enemy's purposes I have mentioned. Thus he views it as extremely important to keep any such ceasefire under a precise time limit, with the GVN having access to every area of the country.

The wisest course, he believes, would be to stick to the Honolulu position that a ceasefire should be part of the final settlement to be implemented in accordance with a specific timetable which also encompasses regrouping and withdrawal of enemy forces. The important principles of such a ceasefire, he said, should be (a) to keep the period between the beginning of the ceasefire and the scheduled move to regrouping areas as short as possible, and (b) to assure the GVN of the right of access to all areas during the period prior to the regrouping (this could be police rather than military access).

All these straws in the wind may not portend what at the moment they seem to. If they do, however, our policies and actions over the next few
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weeks will have a critical bearing on what we realize, or fail to realize, from the great effort we have made here.

It would obviously not be wise to take an adamant position against any proposed ceasefire; Thieu also agrees that our posture must be forthcoming. However, should the enemy try this tactic, we must be prepared to insist on those conditions which will deny him advantages to which neither his military strength nor his political position (which he constantly, and to some extent successfully, inflates through propaganda) entitle him.

The RES figures for August, which I shall discuss in greater detail below, do not reflect any communist success in the countryside during the current offensive. The government's control held up very well as the enemy military thrusts during August were frustrated, and in fact a modest gain was shown. However, the enemy has the capability of directing considerably more effort toward gaining control of the countryside than he is now doing, and we must be ready to counter him if he decides on such a move.

The broad outlines of government strategy for preparing for a new, more political type struggle are, I believe, sound. In the Cabinet meeting of September 12, it was decided that during the coming year, efforts would be concentrated on those areas of the countryside containing 75-85 percent of the population figures as of the end of August show almost 66 percent relatively secure). This will mean more emphasis on pacification and security, less on development. At the working level, the Ministry of Interior is engaged in the study of the problems and opportunities which would be presented by a shift to a ceasefire and political struggle.

Further programs are under study. We ourselves are engaged in preparing new action programs aimed at countering communist strategy directed toward control of the countryside. We are beginning this week a series of briefings of key government figures at the national, corps, divisional, and provincial level designed to focus thought and attention on the problems and opportunities of a less conventional military, more political struggle, alerting them to the signs that the communists may be moving toward converting their main effort toward the political field.

The pace of political activity picked up somewhat this week. Attention turned to the problem of political amelioration and reconciliation; Thieu and Huong continued their active schedules of travel in the countryside; the attack on corruption was pressed; and increasing attention was given to the problem of political organization.

When I saw Thieu on September 11, he was still carefully weighing the pros and cons of permitting the return of "Big" Minh, who has been in comfortable exile in Thailand. Some of Thieu's advisers have warned him that if Minh were to return to Viet-Nam now, his presence could be exploited by anti-government elements, particularly the more militant Buddhists. Thieu told me, however, that he does not believe Minh is a dangerous man, but that he is not very bright, not a politician, and is quite naive. Thieu remarked if he were a politician, he would be less dangerous; it is his naiveté which is
worrisome, for it might lead to his being used by politicians for their own ends. Thieu asked for my advice, and I replied that I thought on balance it would be desirable to permit Minh's return. This would be a way to demonstrate government confidence in itself and the stability of the regime.

Subsequently, Thieu told reporters that Minh will return around November 1, the South Vietnamese National Day, and that he will invite Minh to serve as a presidential adviser. Yesterday he told me that he planned to send Interior Minister Khiem to Bangkok to see Minh and to impart "the facts of life" to him.

I rather suspect that after some more jockeying of this nature, Minh will return to serve the President in some capacity. I think this will prove to be a good thing. His return would prove a useful demonstration of the confidence and stability of the elected constitutional government, and Minh may well have more than a symbolic contribution to make in rallying public support for the government.

With regard to the case of Truong Dinh Dzu, Thieu said he had arranged for Dzu to receive very good treatment while in jail; this will become known to Mrs. Dzu and the public generally. He also said that he and the Prime Minister have agreed to ask Dzu to write a letter explaining and clarifying his position much as Dr. Dan did about his remarks in the United States. Thieu hopes that such a letter can be used as the basis for an act of clemency.

In the interest of promoting national solidarity, Thieu is having the cases of a number of prominent political prisoners (Buddhist, Catholic, and others) reviewed. At some point in the near future, he intends to announce that the government will review such cases and deal with them before November 1. This is another encouraging development. If the GVN also amnesties some of the leading Can Lao and Buddhist "struggle" detainees, this should provide further impetus toward greater national unity.

Thieu continues his vigorous schedule of travel in the countryside, making himself known to the people and talking to them about the most pressing problem facing the nation, the need for good government and political organization in preparation for a peace settlement and subsequent political confrontation with the communists. On these trips, he reviews people's self-defense forces, distributes land ownership certificates, talks to the farmers about their crops, and exhorts local officials to perform their jobs diligently and honestly. I expect to accompany him on another one of these trips tomorrow to Ba Tri in the Delta. The President appears to enjoy these visits. It seems to me that he is learning to act less and less like a general, more and more like a politician, and in the process is becoming a very good one. Prime Minister Huong sometimes travels on his own, sometimes accompanies the President, and they make a good team. Huong is particularly effective when he talks about corruption; his audiences recognize and respond to his obvious sincerity.

I discussed at some length the government's anti-corruption drive in my last two messages. I am happy to be able to report this week that there ap-
pears to be no real substance to the rumors of differences between Thieu and Huong on this matter which were the subject of some recent speculation. I spoke to the Prime Minister September 11 about the anti-corruption drive to which he has devoted so much energy and personal attention, and complimented him on the momentum which it seems to be acquiring. I added that our countrywide reports showed an encouraging increase in government effectiveness. Huong volunteered in reply that whatever success he is having in dealing with this most difficult problem is due largely to the complete support which the President is giving him.

It is obviously vital that the President and Prime Minister work closely and in confidence with one another and it is increasingly evident that this is the case. It is unlikely that there be no difference whatsoever for the two represent different generations and are of entirely different backgrounds. However, they both seem to be determined to make their political partnership work and appear quite able to overcome any differences they may have without hampering the effectiveness of government operations.

In my sixty-fifth message, I pointed out that there is a greater realization among nationalist politicians of the need to prepare for the anticipated post-hostilities political competition with the communists. We have noted a great deal of serious thought by nationalist politicians in these past few weeks on how to bring this about. For example, one of the larger and better organized national parties, the Revolutionary Dai Viets, is seriously considering a major reorganization of the party and its merger with other groups into an overt, nationwide group. [seven words excised] tells us that he is being constantly consulted by politicians who are seeking some formula to build a large, mass-based political party. There are other indications of a perhaps less healthy interest by some ex-Can Lao elements in putting together a new political organization. While these efforts have a long way to go before unity is realized, it is encouraging that so much thought is currently being devoted to the problem by nationalist politicians.

The major effort in building a mass-based pro-government political organization is, of course, directed toward the Lien Minh. It has developed an ambitious, but well thought-out social action welfare program, which I mentioned in my sixty-fifth message. Preparations for launching this effort, which is called the “New Action Program” are well underway. About 800 cadre will have been trained within the next few weeks for this project, which is designed to have impact as a social welfare program; the object is to popularize the Lien Minh. I think it fair to say that this is the first time, since the 1963 revolution, that an organization with avowed political aims has devoted so much attention and energy to a program designed to have an immediate impact on the lowest levels of society.

In the course of discussion last week with Thieu on the public “platform” with regard to a peace settlement which the GVN has been developing, I said that I thought it would also be useful to develop a “Charter of Social Revolution” which would set forth the GVN’s aims for Vietnamese society in terms
of economic, social, political, and cultural development, with emphasis on the betterment of the lot of the farmer, the urban worker, and the civil servant. While I realize that the best means of gaining popular support is through the development of effective government and greater security, the government must also articulate hope for the future. This could be the purpose of the "Charter." It should be couched in terms which would stir people's imagination; they must be given a vision of a future worth struggling for, which they feel will compensate for the sacrifices being demanded of them, and for the long years of war they have endured. I said, you must hold out to the people the hope of something better than the communists can offer.

Thieu seemed to be in agreement and I have asked my staff to prepare some suggestions which might be included in such a document, and on an appropriate occasion will raise the matter again with the President.

The Venerable Thien Minh, a leader of the militant An Quang Buddhists, has asked for an interview with Thieu at which he intends to request permission for a Buddhist Peace Delegation to go abroad. Minh is reportedly willing to allow the government to reject unacceptable members of the delegation, and has agreed that the delegation will follow the GVN policy line on a peace settlement while abroad. I doubt that Thieu will agree to such a request and it seems to me it would be very unwise to do so. Rather than promote the cause of a negotiated settlement, it seems to me a roving delegation such as this could stir up all kinds of controversy both here and abroad. There also appear to be elements within the An Quang faction itself who are not enthusiastic about the idea, especially under the terms they expect the government to demand of them.

In my last message, I mentioned that Prime Minister Huong had suspended the Director of Examinations in the Ministry of Education because of allegations of bribery and irregularities in the recent countrywide baccalaureate examinations. At a press conference September 10, Minister of Education Tho denied the allegations of misconduct and questioned the legality of the Prime Minister's suspension of the Director. Various sources tell us that bribery in connection with these examinations is not uncommon. It has been more prevalent this year than in the past partly because of the current draft pressure on students. Regardless of how the issue is resolved, Tho's public disagreement with the Prime Minister probably means that his days as Minister of Education are numbered. He is a weak Minister, and Huong planned to replace him even before this controversy.

It is gratifying to note the number of outstanding Vietnamese judges and lawyers who have filed their candidacies for election as Justice of the Supreme Court, which will take place October 15. Nine judges will be selected by the National Assembly from a list of thirty candidates. Among those who have come forward are Vu Tien Tuan, the present First President of the Court of Cassation, presently the highest civilian tribunal in Viet-Nam; Tran Minh Tiet, former Minister of Justice and Interior; and Vu Van Vi, another former Minister of Justice. These are representative of the large number of well-
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qualified lawyers and judges who are standing for election. The establishment of the Supreme Court will mark another significant milestone in South Vietnam's return to the constitutional rule of law.

As I noted above, large amounts of ammunition were captured from the enemy this week (September 12–18). These included 4,600 B-40 and B-41 rounds; 5,100 60mm and 82mm mortar rounds; 690,000 AK-47 rounds; 300,000 other small arms rounds; 3,900 grenades; 24 complete and 20 incomplete 122mm rockets; 3,600 pounds of TNT and other explosives.

Also noted in the introductory paragraph was the fact that ARVN carried a large share of the burden of the fighting. Included among their significant operations were the following:

a. Elements of the 2nd Regiment (1st Division) participated in the highly successful thrust into the eastern DMZ area on September 13, in which 176 enemy were killed at a cost of four friendly KIA (ARVN) and 46 WIA (24 ARVN, 22 US).

b. East of Hue, the 54th Regiment (1st Division) carried the brunt of an operation (which also involved elements of the 7th Cavalry, RF, PF, and police) against a VC "safe-haven" area of long standing on Vinh Loc Island. They killed 114 enemy, took 242 POWs and detained 181 "civil defenders," received 12 Hoi Chanh's and captured a large number of documents.

c. In the Hoi An area of Quang Nam province, a series of sharp fights on September 13–17 involved the 21st, 37th and 39th Ranger Battalions and elements of the 51st ARVN Regiment against NVA forces. During the night of 16 September the CP of the 39th Battalion was reportedly overrun, but the battalion regrouped and was reinforced by the 37th Battalion the following morning. The ARVN forces killed over 280 of the enemy over this five-day period and captured 43 weapons (10 crew-served), while suffering 44 KIA, 117 WIA and 21 MIA.

d. In southern I Corps, the 4th ARVN Regiment (2nd Division) engaged the enemy on September 15, killing 29 and capturing 11 weapons without suffering any casualties itself.

e. In II Corps, elements of the 3rd ARVN Cavalry on September 16th engaged an estimated enemy company northwest of Pleiku, killed 25 and captured 14 weapons at a cost of two WIA.

f. In III Corps, the 36th Ranger Battalion killed 17 and captured seven weapons on September 12th in Binh Long province. The following day the 6th ARVN Airborne Battalion killed 45 and captured 12 weapons in Tay Ninh province while losing nine killed and 36 wounded.

g. In IV Corps, the 4th Regiment (9th Division) in an operation in Vinh Binh on September 14th killed 40 enemy and captured 14 weapons while losing six killed and 32 wounded.

One of the encouraging developments of the last several months is the distinct though spotty recovery of pacification from the Tet offensive low. End-August Hamlet Evaluation System figures, the best measurement we have, show an increase of 159,000 in relatively secure population—bringing it up to
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almost 66 percent. This is a solid 6 percent increase in six months from the post-Tet low, though still short of the 67.2 percent peak just before Tet. Even if we take out all the towns and cities, relatively secure rural population exceeds 50 percent for the first time since February.

Most aspects of the complex and diffuse GVN pacification program seem to be on the upgrade. The key RF/PF are growing stronger and better equipped. The attack on the Viet Cong political infrastructure is gaining momentum though it still leaves much to be desired. The GVN continues to purge corrupt or ineffective province and district chiefs and other local officials. It plans to change six more province chiefs shortly.

A recent bright spot is the new GVN interest in a meaningful civil defense program. About 500,000 civilians have been enrolled and over 40,000 armed to date. Top GVN officials, including Thieu and Huong, presided at over 40 ceremonies throughout the country promoting "self-defense month."

Much of the credit for this forward motion goes to the push being exerted by Interior Minister Khiem, PM Huong, and above all the President. They see the enemy reverting again to pressure on the countryside, and therefore the necessity to press even harder on pacification in the rural areas.

Much credit is also due to our CORDS organization. They have worked tirelessly. I have now visited many of these teams and am impressed by the energetic and dedicated way in which they are going about the job.

Prices rose slightly during the week ending September 16 as the index for all items rose one percent from the previous week. Prices for food items rose one percent, and non-food item prices were unchanged. Among individual food items, price changes were mixed and no major trends were discernible. The retail price of U.S. rice fell six percent as the GVN resumed sales to merchants.

While there have been marked week-to-week price fluctuations in the last few weeks, the general price level is now only 2 percentage points above that prevailing at the beginning of August.

The weakening of retail rice prices following the Government's resumption of the commercial sale of U.S. rice during the past week in the Saigon-Gia Dinh area dampens our hopes that higher market prices in Saigon would begin to draw rice out of the Delta without Government intervention. Several weeks ago, the Government stopped the sale of imported rice to commercial dealers in the Saigon area. As we had expected, the price of both domestic and imported rice began to rise. Now that this development has been cut short, some form of Government intervention is necessary to revive the rice trade unless we are able to convince the GVN again to stop temporarily the sale of imported rice in the Saigon area and to raise the price of this rice when its sale is resumed. I spoke to Thieu about this yesterday.

The Minister of Economics launched what appears to be trial balloons for a scheme to provide civil servants with subsidized food as a substitute for a wage increase. The scheme was outlined to U.S. Mission representatives in a
meeting last week and released to the press on two occasions. We are dubious about it but have not yet taken up a firm position.

The Minister has also told us that the long-delayed war risk insurance decree will be issued this week.

August tax collections were 1.9 billion piasters, the second highest monthly total ever attained. Included in the August total is 275 million piasters resulting from the new 20 percent surtax imposed July 4, 1968.

Total collections for the first eight months of 1968 are VN$ 12,009,749,999, an increase of 6.6 percent over the corresponding period in 1967; this despite the fall-off in collections during the immediate post-Tet months.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY SIXTY-EIGHTH WEEKLY TELEGRAM, SEPTEMBER 26, 1968

With the Assembly in recess the past week was relatively quiet politically. On the administrative side, however, the Government continued to move ahead with its program for political organization, with Thieu's increasing emphasis on pacification as a national program having top priority in winning the political side of the war, and with the continuing efforts of Prime Minister Huong to improve the effectiveness of the Government and to root out corruption. Military activity was at a somewhat higher level the past week but the general pattern as described in my last message continued. Thieu told me yesterday that he believes it will result in several months with the enemy attempting to maintain as high a level of pressure as he is capable of.

The enemy killed increased to 3,757 (41 percent by ARVN forces) while friendly killed was down slightly, 629 for ARVN. The initiative remained with friendly forces. Further large caches of enemy weapons and ammunition were captured in the continuing and successful effort to forestall his offensive plans.

All of this pressures the enemy toward a re-examination of his strategy. However, new evidences of his many and varied problems with his present strategy have come to light. This year he has lost 18,470 KIA. These heavy losses, plus the large but unknown number of casualties being inflicted by air strikes, especially B-52 strikes, are beginning to tell on his morale. The impact is heightened by his almost total lack of success in the series of attacks he has attempted to mount.

For example, a notebook captured in Quang Nam Province in I Corps, possibly that of a company commander in the 2nd NVA Division, indicated that his regiment was given the task during the August attacks of drawing one or two allied brigades to favorable areas so they could be destroyed. A September 9th entry indicated the regiment took heavy casualties and failed in its mission due to poor fighting spirit, fear of fighting in mountainous areas or attacking strongholds, lack of determination because of the peace talks and fear of hardships and difficulties. A rallier from the 24th NVA Regiment near Kontum said his battalion had to help bury the dead of another battalion of the same regiment which had only 40 survivors out of 450 following air strikes. His own battalion had lost 150 of its 450 men. In III Corps, [two words excised] that many enemy troops feel an attack on Saigon would be sui-
cidal, while others hope the attack will be made, thus opening up the possibility of deserting.

Other reports of this kind could be cited. While I do not wish to overemphasize their importance, it is a new phenomenon to have them coming in such numbers. It would seem that the problems they reflect must influence the enemy's assessment of his future strategy.

A COSVN document dated April 12, obtained here September 16, casts additional light on the importance it places on the establishment of "liberation committees." The document states that the failure to overthrow GVN administrations and establish revolutionary administrations in their place was a marked weakness of the "general offensive and general uprising." It noted that even in places where the GVN had no administrations, revolutionary administrations were not set up. A VC training document captured in Quang Nam in August also stressed the importance of setting up "people's councils" and "people's liberation committees." It is notable that the reports of establishment of such councils and committees generally place them in villages and hamlets already controlled by the VC. It is obvious, however, that heavy emphasis is being placed on this effort and both we and the GVN are keeping careful watch on it.

The GVN effort against the enemy infrastructure continues to make progress, although there is still a long way to go. Infrastructure elimination in August at 1,100 remained at about the level of the previous three months. We need to double or triple this figure. An element of the program I have not reported on before where progress is being made relates to the handling of those captured. Progress includes: (a) thwarting VC attacks against the prisons through better defenses; the VC have made four attacks against prisons since Tet, but have not succeeded in releasing any prisoners; (b) increasing capacity of prisons and detention camps by over 12,000 spaces; (c) erection on Con Son Island of a 5,000-man tent camp with prison labor and beginning construction of a 4,000 man permanent prison; (d) moving 4,523 dangerous prisoners from the mainland to Con Son Island; (e) speeding construction of military prisons to relieve pressure on civilian institutions. The net increase of prisoners and detainees for the year is approximately 9,000. The Prime Minister rightly insists on prompt release of those not remanded for trial. While we support him in this policy, we are making an effort to avoid the release of members of the infrastructure.

I asked Thieu on September 25 what progress was being made in developing his new concept for the 1969 Military Operations Plan. You will recall that Thieu told me he wanted to give the territorial RF and PF (Regional and Popular Forces) much more responsibility next year. Thieu said he had been working on this and would like to discuss this and the whole question of the need for greater emphasis on Revolutionary Development and pacification in 1969 as against conventional military warfare. He suggested a combined meeting of the senior cabinet and our seniors on Tuesday, October 1.
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I then said that I had noticed in one of his speeches a few days ago he had referred to the possibility of American units being withdrawn in 1969. I said I thought it was very desirable that some studies with a view to specific reduction in 1969 be made, and that I hoped that he and his people could work out with General Abrams a plan for reducing some units. This would have a very profound and beneficial effect on the American public, and it would bring home the increased capacity of the SVN government and forces to manage their military problems.

Thieu said he thought it might be possible to move one division about July, possible two or three more divisions in 1970. There were also other possibilities. For example, non-combat US forces might be withdrawn, and their work, along with their equipment, assigned to ARVN. Also, if MACV could reduce its logistical problems, certain non-combat support forces would be able to leave.

We will not take this subject up at the October 1 meeting, but General Abrams and I will pursue it further with his people at an early date.

Thieu is continuing his active program of visiting the countryside and showing himself to the people. I accompanied him on September 20 to Ba Tri district in Kien Hoa province in the Delta. People turned out in great numbers in all the hamlets and villages. Thieu talked to farmers, workers, women, children, the village elders, to members of the territorial forces, to civil servants, showed an interest in their needs and they seemed to respond. He had especially wanted to visit this area to compare it with its condition when he was last there fifteen months ago. Then all the young men had disappeared, drifted to Saigon or other more secure areas. Today they had returned; 3,000 of them were in the armed forces; and 2,000 were sworn into the self-defense forces with a symbolic presentation of weapons by the President. Security has returned to the area and the countryside is prosperous. Thieu told me he plans to continue to make at least two visits to the countryside each week and hopes to visit every province in the country.

While the President was in II Corps this week he announced that this year’s National Day, November 1, will be celebrated in a manner quite different from that of previous years. There would be no ostentatious parade or military display, emphasis will be put on economic and rural development. Thieu intends to invite outstanding representatives of the people—solders, civil servants, farmers and workers—to come to Saigon to meet with him to discuss the country’s future. Press accounts have termed the National Day convocation a “Congress of People from the Lower Classes,” and report that the Congress is to participate in the drafting of a broad plan for economic development for the country. Thieu intends it to be another step in his effort to dramatize the effort to bring the government to the people.

In my last message I reported that I mentioned to Thieu the desirability of developing a “Charter of Social Revolution.” I envisage such a “Charter” as setting forth the GVN’s aims for Vietnamese society in terms of economic, social, political, and cultural development, with emphasis on the betterment of
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the lot of the farmer, worker and the average man. I believe that Thieu may use the commemoration of National Day to launch such a charter. In any case Thieu's decision to eliminate the military ceremonies on National Day and concentrate on programs of peaceful purposes is a further indication of the new orientation he is giving the government.

Forward movement in the attack on corruption continues. I have reported on this important program in my last three messages. During the visit to the Delta Thieu told me that he had replaced the Mayor of Cam Ranh. You may recall the recent scandal surrounding allegations of corruption in that coastal city, some of which were regrettably all too true. Another example of progress is a report we have had that at the orders of the Director General of National Police, Colonel Tran Van Hai, over 500 police officials have been dismissed or removed, some of them quite senior.

Thieu made an interesting observation during a press conference in Ba Tri, in connection with allegations that dismissals of officials have largely been directed at those loyal to General Ky. He said that there is no truth to such rumors, or to those which had also alleged that he is putting members of the old Diemist Can Lao party back into power. He said that his policy is to replace those who are not doing a good job with people who will. He cited as an example the commander of the Palace Guard, a "Ky man," who had been "removed" from his position. Actually the man had been promoted and appointed mayor of Cam Ranh, succeeding the notoriously corrupt official there.

Eugene Black's visit here this week served to stress our interest in Vietnam's post-war future, and should also further stimulate the GVN to proceed with its own planning for peace. During an excellent two-hour meeting with the Prime Minister and others of his Cabinet we had an opportunity to discuss the directions of Vietnamese post-war planning. At this meeting and the meeting with Thieu, Black commended the Vietnamese planning effort which, he noted, is being carried out in the midst of a war. He remarked that he believed the possibility for economic development here is greater than in Korea.

I was also glad to see Black make the point to the Vietnamese that it is important that the leaders of Southeast Asia take the initiative of proposing plans for regional development. He pointed out that it is much easier for us to respond to such initiative rather than to propose new projects ourselves. As he left Black told me that he had been much impressed by the evident improvement in the situation here since his last visit in November 1966.

I reported last week on the slow but steady progress in pacification and our HES figures showing the increasing percentage of population coming under GVN control. There have been no particular developments during the past week on which I wish to report. Thieu plans to hold a seminar on pacification in I Corps September 27 and in II Corps September 30.

I asked Thieu on September 18th what progress is being made in forming the Lien Minh into a broadly based political organization. I referred to opinions that have been expressed to us that the country is waiting for him to issue appeals and directions to the nationalist elements that are ready to band
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together. Thieu replied that he is deliberately refraining from such a step at this time. He is convinced that the responsible nationalist politicians themselves must first come to a realization that political unity is essential. In response to my remark that it is important that people should have no doubt that the Lien Minh has his full support, Thieu replied that it is clearly understood in the country.

Meanwhile, the Lien Minh is making progress. I reported in my last message on its “New Action Program,” which is designed to have an immediate political impact on the lowest levels of society, first in Saigon and later countrywide. The training of New Action Program personnel is proceeding. Members of my staff visited the Lien Minh Training Center in Saigon, where about 800 persons are being trained to carry out the program. The training is being conducted with efficiency and sincerity. Three classes have already passed through the center, and about 450 people are now being sent into the wards and precincts of Saigon to implement the Lien Minh social welfare projects.

The Lien Minh has also taken a step forward in I Corps where Dr. Tran Dinh Nam, a widely respected and admired figure and one of the most influential civilians in Central Vietnam, has agreed to serve as advisor. He is the type of person Thieu was talking about when he said that the Lien Minh must attract the most responsible nationalist leaders.

Thieu has generally gotten along quite well with the press. He has handled himself well at his news conferences. He has, however, not escaped criticism, particularly in regard to his statements about limitations on the scope of press freedom, especially in relation to the subject of peace and negotiations. His statement at Nha Trang that the Government will not allow “wanton liberty” which would permit people to set forth “unsuitable peace positions of their own” and his statement the following day in Kien Hoa, that if a peace proposal advocated surrender or coalition with the communists the paper would be closed and the publisher prosecuted, as might have been expected aroused some controversy. Several newspapers and legislators have come to Thieu’s defense but the weight of the comment has been critical. The incident highlights the matter of press censorship which involves the image of the GVN with its own people and affects it abroad. We have noted indications over the past few weeks that the GVN has been applying more pressure on the press.

The most noteworthy recent example was the suspension, for a week, of three Saigon newspapers for printing a story (alleging differences between Thieu and Huong on how to deal with corruption) which had been denied in advance by the GVN. Another newspaper, Tin Sang, has been officially warned twice for printing pictures of Ho Chi Minh and Xuan Thuy on the front page. Other press warnings have been issued since. Actions of this kind attract a good deal of attention especially from the foreign press which tends to discount the constitutional provisions for freedom of the press as meaningless. This obviously does not help the image of the GVN abroad. However,
it should be kept in mind that a great deal of press freedom does exist here as evidenced by much comment critical of the government which appears every day in the press; criticism of Thieu’s remarks at Nha Trang is an illustration. Nor has the temporary suspension of the three newspapers which I mentioned above noticeably affected their subsequent position. On the day they appeared two of the papers carried editorials outspoken against the Government’s decision in closing them down.

Clearly, new legislation consistent with the Constitution and responsive to current needs is needed. A comprehensive press law is still pending in the National Assembly. The draft bill as it has emerged from the lower house is considered by the press as too restrictive. It remains to be seen what form the bill will finally take. Much, of course, will also depend on how the new legislation is administered. The Minister of Information, Ton That Thien, has replied to criticism by the press that he must administer the law as it stands and that the remedy is available to them through new legislation by the Assembly.

Perhaps the most discussed political topic of the week has been the possible return of General Duong Van “Big” Minh from exile in Thailand. I think that on balance this would be a step that would reinforce national unity. Thieu has said that he is prepared to offer Minh the post of Special Presidential Advisor. I believe that when Minister of Interior Khiem sees Minh in Bangkok, he will warn him against the possible attempt of anti-government elements to try to exploit his presence to try to divide the country. Thieu I think would obviously like to have Minh return in connection with the November 1 National Day celebration. Minh is the hero of the 1963 overthrow of Diem, is widely popular, especially among Southerners, Buddhists, and in the Army. His return, especially if he associates himself closely with Thieu (as many hope he will) is also seen as strengthening the GVN negotiating position vis-à-vis the Communists in the South and vis-à-vis Hanoi.

The political opposition which Minh faces comes largely from Northern Catholics and revolutionary Dai Viet circles, which are already rather disaffected as far as the Government is concerned. Problems could arise if, through Minh’s political naivete, he should allow his presence in SVN to be exploited by anti-GVN elements, especially among the An Quang Buddhists. Thieu is certainly aware of this and will be on his guard. As I have reported I am convinced that on balance Minh’s return will be helpful.

Thieu on September 18th expressed concern to me about the amount of communist war material coming into III and IV Corps from Cambodia. He said that while the Cambodian Army had been reinforced along some parts of the border, the effect on communist sanctuaries has been nominal. Thieu does not believe Sihanouk will do much more than caution the VC to be less obvious.

[About 60 words excised]

We have passed to Sihanouk, through the Australians, evidence of massive VC/NVA use of Cambodian border territory at Ba Thu, only 35 miles west of Saigon. I have recommended, and I am pleased that approval has been grant-
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ded, that we release this evidence unofficially to friendly newsmen in order to show the US side of the story in a more concrete manner. [20 words excised]. At any rate, it will establish a public record that should counteract to some extent the propaganda from Cambodia about unprovoked US/GVN "aggression" against that country.

Stocks of captured ammunition continue high. From August 18 to September 25th, 7,246 individual weapons and 930 crew-served weapons were captured. During the same period, enemy ammunition taken or destroyed included 1,491,527 small-arms rounds, 24,963 rocket-propelled anti-tank grenades, 17,277 mortar rounds, 1,033 recoilless rifle rounds, 788 artillery and 427 rocket rounds. These figures provide dramatic evidence of the extent of the enemy's buildup for offensive action and of the success of efforts to forestall such action.

ARVN forces, including RF and PF, turned in a good account of themselves in a number of actions during the past week.

On September 22–23, the 2nd Regiment, 1st ARVN Division, killed 103 enemy and captured 23 weapons in action near the DMZ at a cost of 3 killed and 38 wounded.

On September 22, RF/PF forces reacting to a mortar and ground attack on Thang Binh Village, Quang Tin Province (I Corps), killed 16 enemy and captured 8 weapons (2 crew-served). Four RF were killed and 14 RF/PF wounded. Ten civilians were killed and 26 wounded in the enemy attack.

On September 21–22, RF/PF forces repelled an attack on Hau Due Sub-Sector Headquarters, Quang Tin Province. They killed 186 enemy, detained 11 and captured 37 weapons (four crew-served). Twenty-eight RF/PF were killed and 32 wounded.

The enemy made fruitless attacks against an RF outpost near Ben Soi in Tay Ninh Province (III Corps). The first attack, by an estimated company, came about 0100 hours on the 20th. Nineteen enemy were killed inside the perimeter wire. Two RF companies reinforced the post and swept the area the next day, resulting in a cumulative total of 35 enemy killed and 19 weapons captured (three crew-served). A total of nine RF were killed, 28 wounded, and 2 missing. The post was further reinforced later the same day by the 1st Vietnamese Marine Battalion. It was again attacked early the following morning, this time by an estimated enemy battalion. The enemy lost 125 killed and 32 weapons (10 crew-served) as compared to four marines and one RF killed, 55 marines and five RF wounded.

Also in Tay Ninh, the enemy attacked Katum Special Forces Camp on September 25. He lost 135 killed, 10 detained, 39 individual weapons and four flame throwers, plus explosives and ammunition. Twelve CIDG were killed and 16 wounded.

In IV Corps, an ARVN 9th Division operation near Sa Dec on September 21 resulted in 61 enemy killed and 19 weapons captured, with friendly losses seven killed and 22 wounded. In An Xuyen, the ARVN 32nd regiment (21st Division) engaged an estimated enemy company on September 23, killing 42
and capturing 22 weapons (3 crew-served). ARVN losses were one killed and ten wounded. Three U.S. were also wounded in the action.

The week has been a quiet one on the economic front. The overall price level remained unchanged with declines in the price of shrimp and fish offset by increases in most meat prices. The price of domestic rice was firm, while U.S. rice continued to fall slightly in price due to the relatively poorer quality of recent releases by the GVN from storage.

The war risk insurance decree has been redrafted in order to strengthen the version prepared by the Ministry of Finance. The compromise redraft reportedly contains the major recommendations of the U.S. insurance expert recently here. We are told that the decree should be promulgated within the next two weeks.

David Lilienthal's Development and Resources Corporation has now started feasibility studies in country on its proposed Mekong Delta development project. The project is intended to provide year-round water control and irrigation in the Delta through the construction of a series of levees, of a spillway to the Gulf of Siam and through barriers against salt-water intrusions.
FOR THE PRESIDENT FROM BUNKER:

HEREWIT MY SIXTY-NINTH WEEKLY TELEGRAM, OCTOBER 2, 1968  For some weeks we have been developing our concept of a "counteroffensive," with emphasis on pacification, moving from the improved Allied military position and the growing political strength of the GVN to more extensive and more secure control of the countryside. At our October 1 joint meeting with President Thieu and his principal advisors on military and pacification matters, it was most encouraging to have confirmation that they have been working along generally similar lines toward these objectives.

Thieu not only has the keenest interest in pacification but the most thorough knowledge of the problems involved of any of the GVN officials. He has demonstrated his personal leadership in the seminars he has held for top officials in each of the Corps areas in the past few weeks, the final one to be held in II Corps today. He is determined to launch a broad pacification offensive that should move substantial numbers of hamlets from the "contested" to the "relatively secure" category. The extent of GVN homework on the new planning concepts was evident in our October 1 meeting.

The concept targets primarily on the some 3,800 contested hamlets where approximately three million people live rather than on the VC-held areas with the remaining three million of a total population 17.5 million. As Thieu points out, adding these 3,800 hamlets to the 5,000-odd already relatively secure would bring over 82 percent of South Viet Nam's population under reasonable GVN control. It would forestall any VC effort to partition the country or justify any claim to coalition government. It would involve a shift of regional forces, and the creation of new local defense forces in the areas to be secured plus a concerted attack on the VC infrastructure and intensified Chieu Hoi program. The plan would also stress strengthening hamlet and village administration to compete with VC "Liberation Committees." We are all agreed here that the concept is basically sound. Thieu and his advisors have been thinking in terms of a year-long campaign to begin in December. At our suggestion, however, Thieu agreed to a two-phase approach, the first phase with a goal of 1,000 hamlets to start hopefully within one month and to be completed by Tet, in order to take advantage of the opportunities that now exist to expand the GVN's control in the countryside, for the enemy is clearly faltering in his efforts to keep the initiative.

Friendly forces continued to forestall the enemy's efforts at mounting offensive operations. In I Corps, the 3rd Marine Division continued to seize
large caches of ammunition, weapons, food and supplies which had been prepositioned to sustain multi-regimental size attacks by the enemy against our positions south of the DMZ. In III Corps a series of unglamorous operations northwest of Saigon in Hau Nghia province discovered similar caches, and also uncovered dispensaries which had been set up to care for thousands of wounded, complete with generators, operating tables, and refrigeration equipment. In the same area our forces have destroyed over a thousand bunkers and over 2,500 more have been identified. These are all indications of the magnitude of the enemy's preparation for large scale attacks. He was clearly preparing to support sustained offensive action against Saigon.

The level of fighting did not change greatly with enemy killed increasing slightly to 3,782 (47 percent by RVNAF, 48 percent by US) and friendly killed down slightly to 501 (67 percent RVNAF and 30 percent US). I have tried in my recent messages to highlight the growing number of examples of fine ARVN performance. I think nothing better illustrates the full ARVN participation in the successful blunting of communist offensive action than these figures, especially when one recalls that the ARVN fights without the same firepower in their battalions, without the same lavish artillery and air support that our forces have. As General Abrams has put it, "They are in the fight and they are doing well. They are paying the price and they are exacting the toll." There are of course still weaknesses in ARVN to be overcome. But not only are these weaknesses being corrected, the ARVN in its present state has turned in a truly fine performance in recent weeks. As General Abrams has said, in some cases "heroic."

Enemy strategy continues unchanged. Although he made battalion-sized attacks only against special forces camps and RF/PF posts in I Corps and III Corps during the week, it is clear that he wanted and intended to do much more with the vast stores we have seized from him, but he was unable to bring it off. He was undoubtedly trying, without success, to clear the way to Saigon and other cities.

There is one view that sees the enemy bound to continue this same course, largely by his doctrinal approach which to a large degree determines his long-term goals and which tends also to shape his view of the situation. There are some striking parallels between the strategy pronounced in the COSVN 6th resolution, the principal current statement of strategy, and the pronouncements of Truong Chinh prior to the shift to the "General Offensive" in 1954. The Communists apparently see us in the same position that the French were just before Geneva. The emphasis on loss of morale of US and GVN forces, on the adverse effects of the war on the US economy, its divisive effect in the United States all find parallels in the earlier documents relating to the French war against the Viet Minh.

Other doctrinal points which might incline the enemy towards continuing the offensive are the belief that the negotiation will only ratify what he must win on the battlefield and the belief that the "balance of forces" shifts in his favor continually as the fighting goes on. His determination to bring about
the "popular uprising" might lead to increasingly reckless and costly attacks, spearheaded at the "puppet forces" in the belief that this will lead to the destruction of the GVN.

Great claims are made by Hanoi for the progress this strategy has brought about since Tet, while, as I have pointed out previously, his cadre who are doing the fighting on the ground are increasingly questioning whether the effort has been worth the cost. It is claimed that we have been forced to adopt a defensive posture, concerned only with the protection of major urban centers. At the same time fantastically exaggerated claims are made about the defeats which are allegedly being inflicted upon us. I suppose it is possible that someone in Hanoi may be persuaded by these claims.

However, while support for this view abounds in the enemy's current strategic pronouncements, it may well exaggerate the rigidity of the enemy's strategic thinking. For example, while the COSVN Resolution parallels Truong Chinh's language, it seems likely that Truong Chinh, who reportedly adheres more closely than some others to the classic Maoist line, probably feels that the attempt to move to the general offensive was made prematurely, and that it may be necessary to return to the second stage offensive and the concept of "protracted war." Further, there may well be those in the Hanoi hierarchy who believe that gains can be made at the negotiating table without further heavy battlefield sacrifices. In other words, I think it possible that the use of rhetoric traceable to Truong Chinh's 1954 writings and in some cases to Mao Tse Tung's work serves in part to conceal a considerable range of differences among the leaders in Hanoi, and I believe that it is quite possible that the advocates of continuing the present strategy may be under considerable pressure.

In my last message I reported on the likely return from exile of General Duong Van Minh. Thieu told me yesterday that he will return on Saturday, October 5. Thieu sent his interior minister to Bangkok to discuss "Big" Minh's future role which may be that of advisor to the President. Most knowledgeable Vietnamese consider Minh's return as a positive factor making for greater nationalist unity and I am inclined to agree, although working out a proper role for him will not be easy. The same beneficial results are not likely to be obtained, however, from the return of some of the other exiled generals and I am planning to make some remarks along these lines to Thieu at the next appropriate occasion. I think he already shares these views.

In our joint meeting yesterday I referred to the problem of land tenure as it applied to farmers who had been cultivating lands under Viet Cong control. In response to a question I had raised during Thieu's visit to Ba Tri in Kien Hoa Province, he had described a three-point GVN policy: (A) that landlords would not be permitted to collect back rents from such tenants; (B) that farmers given land by the Viet Cong would not be expected to pay taxes for several years; and (C) that farmers given land by the Viet Cong would be allowed to keep the land they are farming and would be given titles to regularize possession of it. I pointed out that the third point differed from the provisions of the ordinances now in effect but that I thought that if carried out it would
have far-reaching consequences in gaining the allegiance and support of farmers who had been cultivating lands under Viet Cong control. Thieu reaffirmed his statement and said that the farmers would definitely be allowed to keep these lands and that a government committee was now working out the details. This I believe can prove to be a highly constructive development and a useful weapon in gaining the adherence of the peasant.

Preparations for opening of National Assembly: On October 7 President Thieu will address a special joint session of the National Assembly, thus marking the opening of the second regular Assembly. I expect that Thieu, who is very conscious of the importance of the Assembly and is always careful to praise its leaders and accomplishments, sees this occasion as another opportunity to improve his image as a civilian and popularly-elected president. Among the items he may propose could be the reorganization—or abolition—of the special military field courts whose jurisdiction over national security cases is quite controversial. These are the courts which sentenced Dzu for advocating a coalition government. While I do not expect the president to announce any significant softening in the government’s policy on such matters, a move to restore civilian jurisdiction over national security cases would be very popular. In the meantime, preparations are proceeding for the election of the Supreme Court, which will be installed this month.

Political party law has high priority. One of the important matters before the Assembly is to complete action on the political party and political opposition law. This bill, with far-reaching implications for the development of a viable democracy, has passed the lower house and awaits action by the Senate. Properly drafted the law could be a major instrument in bringing about the nationalist political unity which is so urgently required. Unfortunately, in a version which emerged from the lower house, the provisions which regulate the registration of political parties are not sufficiently restrictive. We estimate that perhaps 10 to 15 political parties could immediately meet these validation requirements. Although this would be a measurable improvement over the 50 plus political parties now in existence, it falls short of what is required if the necessary degree of nationalist cohesion is to be achieved. Thieu has told me that he is also unhappy with the draft measure as it emerged from the lower house because he too sees the need to limit the number of political parties. He intends to consult with members of the Senate and the lower house to try to bring about some changes in the bill. If Thieu lends his full weight to this I think there is a fair chance that amendments can be approved, significantly improving the measure. We are urging on our Assembly contacts the desirability of amending the law to inhibit the number of political parties.

This week the controversial Saigon Student Union (SSU) was replaced by a five-man provisional student standing committee. This was a rather well organized pro-government “palace coup” within the SSU, which many suspected had come increasingly under communist influence. The new officers charged their predecessors with irresponsibility and with damaging student prestige, and pointed to the scandal when Communist literature was discovered in the
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Union Headquarters Building. We suspect the GVN had a hand in this “palace coup,” which on balance is probably a good thing, especially if it results in a more representative student organization.

What I would like to see—and of which there has been lamentably little evidence to date—is a more constructive participation of young people in building a new society. There seem to be some small signs of an increasing awareness among Vietnamese youth of a need for political organization. This summer has seen the establishment of the school youth activities program (CPS) in the provinces. The CPS project is a GVN-sponsored program designed to involve high school and university youth in welfare projects and work camps. Also, several Saigon area youth leaders are actively engaged in the Lien Minh new action program activities, on which I reported in my last message. A good deal of all this is still in the planning stage. Meager though it is, this evidence of nationalist political activity among young people is encouraging. There has long been a woeful lack of political commitment among Vietnamese youth which, unless corrected, could be a dangerous liability for the nationalist cause in any post-war confrontation with the communists.

I have discussed the overall military situation above. ARVN forces defended against three battalion-size attacks on small outposts during the week.

The attack on the RF outpost near Ben Soi (mentioned in my previous message) was resumed on September 26–27, with no more favorable outcome for the enemy than before. In the three attacks (beginning September 20) the ARVN and RF forces killed 306 enemy and captured 113 weapons, including 27 crew-served weapons. Friendly losses were 28 killed and 184 wounded.

The enemy also attacked a Special Forces camp in Tay Ninh on September 26–27, losing 142 killed and 55 weapons, including five crew-served weapons, while inflicting four friendly killed and 13 wounded.

In Quang Nam province, an attack in Thuong Duc Special Forces Camp cost the enemy 62 killed and 24 weapons captured (7 crew-served). RF/PF defenders suffered seven killed and eight wounded.

The attention to improving RF/PF is showing signs of payoff. End-August reports from our district advisors—who are now reinforced by over 250 five-man mobile advisory teams—show that RF strength increased again by almost 6,900 men in tactical units. PF grew by 4,500. More important, quality looks better. RF small unit operations jumped by 8,000 (16 percent) over July and contacts increased 22 percent. Both enemy KIA and weapons captured doubled. The same trend held for PF, which ran 7,600 (nine percent) more operations and increased contacts by 26 percent. Enemy KIA by PF also almost doubled.

Since leadership has always been poor in the RF/PF, the improvement program has concentrated on this deficiency. Many tactical units simply didn’t have their authorized number of officers and NCOs, while headquarters were overstrength and school training quotas weren’t being filled. By end-August, after several months of progress, about three-fourths of RF officers and NCOs authorized in tactical units are now assigned there. The critical PF
platoon leader category has improved even more, from about 60 percent assigned six months ago to 95 percent assigned at end-August. The correlations between leadership and more contacts and kills is apparent.

The value of the Hamlet Evaluation System as a management tool is gradually being recognized by GVN officials. Some province chiefs use it extensively for detailed planning. The Corps commanders are using it in briefings and analyses. President Thieu himself used the HES when describing to us yesterday his 1969 pacification concepts on which I have reported above.

For the first time in many weeks the GVN seemed about to take action on significant steps to increase budget revenue. We were told by Minister of Economy Ho that the President, in his budget message on October 7 intends to ask the National Assembly for special powers in fiscal matters. With these powers, Thieu would change the base of customs calculations from the official exchange rate of 80/1 to the de facto rate of 118/1, a measure that could increase customs revenues by nine billion piasters. He would also cut the rice deficit, by increasing the price of imported rice, and sell several government-owned companies to the public. The measures seem appropriate, and we welcome especially the rice price increase, which would at least partially meet our insistence on moves to make rice farming more profitable.

The USAID index rose one percent in the week ending September 30. Deliveries of most foodstuffs were normal and the seasonal decline in fish prices continued. Rice prices fell, the better grades by one to two percent and US rice by five percent. During August and September, our index rose 3.5 percent. Since the beginning of the year, it has risen 33 percent.

Last week the Ministry of Economy issued a decree abolishing provincial rice export permit requirements. These permits were one of several types of control on movement of rice that have served mainly as instruments for petty bribery. The decree should make rice transport to Saigon a little easier and less costly.

The GVN last week sent to Washington a delegation to the annual IMF/IBRD meeting headed by Minister of State Dao. The delegation is empowered to complete prepayment of $35 million in outstanding DLF loans, a measure that should cut GVN foreign exchange reserves to a level slightly below $300 million.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY SEVENTIETH WEEKLY TELEGRAM, OCTOBER 11, 1968 Although the internal political situation was quiet and there was in fact some progress toward greater unity, the week was marked by rumors of contemplated demonstrations against the GVN and the US. Unfortunately these received exaggerated press coverage, mainly because of the way in which Thieu reacted to them. He put the government and the military establishment on full alert on October 8, ordering all officials and military personnel to frustrate any attempted demonstrations or coup. It did not seem to us that there were indications of serious preparations for a coup. We had fragmentary reports that some people, possibly linked to Ky, were talking loosely about a coup, but no evidence of any preparations, but in my talk with Thieu yesterday, which I have reported fully in Saigon 33970, he said that there have recently been indications that trouble was brewing, and what was more alarming was that the people were beginning to take seriously the many rumors and reports about coup attempts. He added that statements which Ky had made in the past months had had an unsettling effect on the situation here and created suspicion amongst the people of American intentions. He had made reference to these rumors in his speech to the National Assembly on October 7, and in view of these reports thought it best to put the forces on alert as a warning to anyone who might be contemplating action that the government would not be taken by surprise. I pointed out to him that the press had gotten wind of the precautionary measures and were putting out sensational stories about coup attempts, demonstrations and arrests; and that all of this was most unfortunate, for it was difficult for us to believe that there was any serious threat to the government.

In talking with Thieu again today, he told me that he had evidence that Catholic elements of the Greater Solidarity Force and some of the Air Force personnel had planned demonstrations against the government for this coming Sunday on the ground that it was soft on the peace question and on coalition. If they attracted support, they were prepared to take further steps. He added that there were some younger elements in the air force which the commander, General Tran Van Minh, did not control and who were beholden to VP Ky. These would bear watching. I again said that it was difficult for me to conceive of anyone or any group having the ability to attempt a coup, much less the capacity to bring it off. Thieu agreed that this was so, but said that Vietnamese generally were unsophisticated politically and had a tendency to give
credence to rumors. It was for this reason that he thought it best to take preventive measures and to make his address last night to calm down the situation. I think Thieu over-reacted in this case, and possibly did not get properly evaluated intelligence from his new intelligence and police officials. He realizes that some damage has been done to his standing abroad and that this is unfortunate. But I should point out that Thieu has had considerable experience with coups and attempted coups, going back to the days of the Diem regime, and may understand better than others the psychology of his people and how to cope with the kind of problem which a situation of this kind presents.

President Thieu made a major speech October 7 when he opened the second regular session of the National Assembly. As in his three earlier appearances before that body, he stressed his dedication to constitutional government and appealed for a joint effort by the executive and legislative branches. He noted toward the end of his message that "1967 was the year for the establishment of the foundations of the Second Republic; 1968 is the year for the completion of the democratic institutions and the strengthening of political stability." Thieu made two references in his speech to alleged plots to undermine and overthrow his government. In the main, however, the tone of the speech was confident and optimistic.

Speaking about peace and negotiations, Thieu restated the GVN position in a forceful and rather uncompromising way. He reiterated GVN rejection of coalition government, cession of territory, or recognition of the NLF. He also insisted that Hanoi must acknowledge its aggression and recognize the GVN as the only authentic representative of the people of South Vietnam.

Thieu called for mutual de-escalation, saying that "the most reasonable way to end this war is for both sides to scale down the level of hostilities, leading gradually to a ceasefire effectively controlled and guaranteed." He pointed to our partial halt in the bombing as the first step in the direction of de-escalation and insisted that the next move is up to Hanoi. He strongly rejected the idea of a complete halt in the bombing without any reciprocal action by Hanoi.

The attempts of the enemy to launch an offensive, which have been frustrated since August, have now petered out. That he did try, and try hard, to get an offensive going is suggested by his casualties. General Abrams reported to the Mission Council October 10 that the total enemy killed since August 17 had reached 95 percent of the losses which he suffered during the same number of days in the attacks during the "Mini-Tet" offensive which began May 5.

These losses plus the very large pre-positioned caches we have been uncovering make it clear that the enemy wanted to get a substantial push under way last month. One good illustration of the extent of enemy preparations and losses is what happened to the enemy 320th division. They have suffered over 1,100 confirmed KIA during the past two months. In recent actions the 9th Marines captured the following materiel: 20,506 mortar rounds; 334 rocket rounds; 1,139 artillery rounds; 3,272 RPG rounds; 1,000,224 small arms
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rounds; 7,062 Chicom grenades; 2,077 land mines; 1,000 Claymore mines; 11,459 pounds of explosives; 250 sets of clothing; 68,000 pounds of rice; and 11,000 pounds of salt. The 320th has recently been withdrawing.

If the enemy is in fact now pulling back for a period of regrouping and resupplying his forces, we will be in for another "lull." Probably Hanoi will again try to make a virtue of necessity and seek to create the impression that their enforced military inaction is a political signal.

I have in recent messages pointed out instances of improved RVNAF performance and Vietnamese efforts to take over more of the fighting. This trend was again evident this week. More than two-thirds of the friendly casualties were Vietnamese in the week ending October 3. Vietnamese forces were also responsible for 55 percent of the enemy KIA. For the period August 18–October 5, the RVNAF forces suffered 2,701 killed compared to 1,497 U.S. killed. During that same period, the RVNAF killed 11,739 enemy compared to 10,472 killed by U.S. forces.

Another strong indication of the determination of the GVN to organize itself and to defeat the enemy, and of its effectiveness in moving toward that goal, is the fact that they have already exceeded their year end goal of the 800,000 in RVNAF. In fact the total will soon reach 850,000. We are recommending that the ceiling on RVNAF forces be raised to 850,000 (present ceiling is 800,215) with 39,000 of the additional manpower to go into critically needed regional forces. If one includes the paramilitary forces, this nation, with a population of only a little over 11 million that it can draw upon now, has over one million under arms.

Today we held another joint meeting with the GVN, following up on the October 1 meeting I reported last week, to consider the basic directive and the beginning of detailed planning for the pacification "counteroffensive." President Thieu, Vice President Ky, and Prime Minister Huong attended, as did all the ministers and top-level civil and military officials directly concerned.

The President's enthusiasm for this aspect of the war was never more evident. Further, I have rarely seen him in a more self-confident mood. While there was no discussion of the general political situation here at the meeting, it was completely clear from the atmosphere at this meeting that this is not a government in crisis.

The plans for the pre-Tet phase of the counteroffensive and for its coordination with the 1969 plan have been well laid. I am convinced that the GVN has produced a feasible plan, and we will give it our full support.

The smooth working relationship existing between the President and the Prime Minister was evident in their exchanges during the meeting. I am especially pleased to see the Prime Minister brought into the planning of this operation at this stage and given responsibility for following it through. Huong again remarked to us on his close working relationship with the President.

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General Abrams and General Vien both agreed that the pre-Tet goals are feasible without any increase in available forces, though some redeployments will be necessary. Both agreed further that in addition to directly supporting this effort, a continuous offensive against the enemy's military units would be maintained. General Abrams pointed out that the success of this counteroffensive, by denying manpower and supplies and access to territory, could have a direct bearing on the enemy's ability to mount the new "winter-spring offensive" which he is now beginning to talk about.

We discussed the importance of improving the GVN administrations in these contested hamlets; the importance a sound policy on land tenure in areas liberated from the VC could have in winning and holding popular support; and the importance of improving the economic well-being of the ordinary farmer. On the latter point, the Prime Minister told us that a restricted cabinet session three days ago had agreed to cut the subsidy on imported rice in half. This will result in an increase in the price to farmers for locally produced rice. He added that he would be giving the President a full report on economic measures in a few days.

The flurry this week over an alleged coup plot will be interpreted as one more indication of Vietnamese inability to forge nationalist unity in the face of the communist threat. This is unfortunate, for it would be a mistake to overlook the growing cohesion of the nationalist camp and the recent progress toward political organization. At the same time there is no blinking the fact that despite widespread recognition of the crucial need for unity and effective political organization, progress in this area is painfully slow.

Since Tet, despite the preoccupation with enemy attacks, relief for the cities and measures to mobilize the resources of the nation for war, the new constitutional institutions have continued to operate and develop. An independent legislature has worked effectively with a strong executive throughout this period. The first legal change of government, accomplished in a completely constitutional way, took place when the Huong cabinet replaced the Loc government. By the end of this month, the two remaining branches of the government, the Supreme Court and the Inspectorate, will be established. I believe these constitutional institutions and the growing democratic spirit which they encourage and inspire will prove a source of nationalist strength in the coming struggle with the communists. As for non-governmental political strength, at least three major political groups and a number of smaller political entities have combined to form the Lien Minh.

If this week was marked by evidence of continued suspicions or divisions among the nationalists, it also was two more steps toward nationalist political strength and unity. One of these steps was the return of General Duong Van Minh after four years of exile imposed by nationalist leaders who feared his popularity. President Thieu's authorization of Minh's return has been greeted by widespread expressions of approval, and to judge by editorial comment it has contributed materially to nationalist unity.
There is, of course, the risk that Big Minh will allow himself to be exploited by radical opposition groups, particularly the extremists among the An Quang Buddhists. Tri Quang was among the first to welcome his return and called on him the day after he arrived. Minh has not yet publicly accepted a post as Thieu's advisor, nor has he in any public way shown support for the government. He reportedly told Tran Van Don that he will join the Lien Minh. Thieu has had a private lunch with Minh, however, and I am sure he is seeking to offer Big Minh a role which will permit Minh to continue to contribute to Nationalist unity.

The other step toward nationalist unity this week was the launching of the Lien Minh's New Action Program (NAP). This politically motivated self-help social welfare program was inaugurated with an October 4 press conference and an October 6 ceremony for the 840 new NAP cadre.

President Thieu spoke at the October 6 meeting, thereby further associating himself publicly with the Lien Minh. In discussing the role of the Lien Minh and the NAP cadre, Thieu said that he is not asking them to support him personally but hopes they will back "a government which truly and faithfully serves the people." The activities of the NAP cadre in the coming weeks will be very important in forming the public image of the organization and may well determine its ultimate success or failure. Thieu is probably unwilling to take on the public leadership of the Lien Minh until he has observed at least some of the results of the NAP effort.

President Thieu's interest in pacification has had a marked effect on the attention being given the program by GVN ministers and Corps commanders. First, Thieu's swing through all four corps areas holding pacification seminars was well received by large groups of officials gathered together for each occasion. Press conferences following each seminar broadened the impact of the President's visits. Province chiefs and all other key pacification officials—military and civilian—received the straight word from both Huong and Thieu that they meant pacification to get priority attention. It was clear that the president was dissatisfied with the current rate of progress and expected every effort to be made to accelerate the program now and to expand it further in 1969.

Our proposal for a counteroffensive has received full support from the President who was thinking in the same vein. All six campaigns which make up the overall counteroffensive are moving toward the November 1 kick-off. Actually RVNAF-US military spoiling campaign has started with increased offensive activity against enemy forces wherever they can be located. The interior minister called key Phuong Hoang officials together and verbally issued instruction for stepped up attack against VCI—aimed at goal of 3,000 VCI neutralized per month compared to the going rate of just over 1,000. A directive to the field will be issued within a few days. The Chieu Hoi minister is taking necessary measures to accelerate Hoi Chanh defecting during the three-month counteroffensive starting November 1. Expansion of self-defense to cover all GVN-controlled rural hamlets as well as cities and towns is under-
way. Minister of Information Thien is making necessary preparations for increased psyops support, although his staff has not yet developed adequate plans.

During the War Council session with Thieu and his people last Friday, a final decision was made to go ahead with the essential pacification campaign portion of the counteroffensive. Last week, Thieu was concerned with feasibility of securing 1,000 contested hamlets in three months between November and Tet and raising their security status to at least “C” on the HES scale. However, our own feasibility study, which showed this goal was achievable with more aggressive use of existing resources, was confirmed by a JGS study in which each corps and every province participated. JGS reported to President Thieu that 1,078 contested hamlets could be upgraded by Tet 1969. With the feasibility thus confirmed, Thieu gave the signal to launch the intensified pacification campaign also on November 1. These coordinate efforts should have a decisive impact on the enemy who shows signs of weakening in several respects. However, results are pegged to GVN performance in districts and provinces which are a long way from Saigon and are not yet convinced that some new enemy offensive won’t fall on their heads.

Our analysis of the feasibility of rather quickly moving into 1,000 or more contested hamlets revealed several interesting facts. Based on a probably very incomplete picture of the enemy’s structure of liberation committees, we note that of 808 hamlet committees identified with specific hamlets, 15 percent are in relatively secure hamlets and 18 percent in contested hamlets. But GVN influence in contested hamlets is considerable—307 RF companies and 1,163 PF platoons are already stationed in or close by contested hamlets.

The Saigon retail price index of October 7 showed a three percent fall in the level of retail prices from the previous week. The decrease resulted from a drop in demand for most food items following the mid-August festival. The blowing up of the Ben Luc Bridge on October 5 does not appear to have affected food deliveries to Saigon. A pontoon bridge is in place and the present maximum delay at the bridge is reported to be 20 minutes. Rice prices fell again this week with the better grades of domestic rice falling one to two percent, inferior grades falling five percent, and U.S. rice unchanged.

Minister of Economy Au Ngoc Ho told us at the end of this week that he had drawn up a program of measures on rice which he would present to the president about October 8. The measures include: (1) no more purchases of imported rice for some time; (2) an immediate increase in imported rice prices sufficient to cut the current subsidy in half, with the second half to be eliminated early next year; (3) movement by coastal vessels of substantial amounts of rice from Saigon stocks to Central Vietnam; (4) immediate purchase of 60,000 tons of rice now stored in the Delta.

The above program, if put into effect, should help to restore the rice trade and raise paddy prices to farmers.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY SEVENTY-FIRST WEEKLY TELEGRAM, OCTOBER 19, 1968

In early July, I summarized in my fifty-ninth message the events and trends, the achievements and shortcomings of the first half of 1968. I think a similar summation of the third quarter may now be useful. Accordingly, this message is a review of the situation as it developed in July, August, and September. As in my summary of the first six months of 1968, this message will begin with an overview, followed by more detailed accounts of the salient political, military, economic and pacification developments. In my next message, I propose to cover the priority areas where we think it most essential to drive ahead and where we intend to concentrate our maximum efforts between now and Tet, i.e., in the next four months.

The major events of the past three months were: (A) the Honolulu Conference; (B) the enemy's abortive August/September "third offensive"; (C) the assumption of the military initiative by friendly forces; (D) the rapid build-up of the Vietnamese armed forces and their continued improvement; (E) the gradual but steady drive toward pacification; (F) the step-up in the attack on VC infrastructure, and plans for future intensification; (G) the preparation of a pacification counteroffensive to be carried out November 1-January 31; (H) the completion of the recovery program; (I) the move toward political organization with the official launching of the Lien Minh and its New Action Program; (J) the decision to allow General Duong Van Minh to return to Viet-Nam; and (K) the gradual return of the economy toward pre-Tet levels.

The enemy's strategy of "general offensive" continued both costly and unrewarding to him, but as the quarter ended there was a yet no definitive sign of a change in his strategy.

I think several important trends emerged from the events of the past three months. I characterized the major trend of the first half of 1968 as the movement toward a stronger, more self-confident, more unified Vietnamese people and government. This trend has continued. The expectation of a renewed enemy drive against the nation's cities served to maintain pressures for unity, cooperation with the government and maximum mobilization of all military and civilian resources. The subsequent failure of the enemy's military effort, plus the improved performance of both the government and the armed forces, further increased Vietnamese confidence in their ability to run their own
government, to shoulder a greater part of the war's burden, and to determine their own future. This increased self-confidence was also reflected clearly in a marked decline in fears that the United States might impose a settlement which could lead to a communist takeover. I should add, however, that these fears could reemerge if intent underlying apprehensions are stimulated by new events or rumors.

Contributing heavily to the growth in Vietnamese unity and self-confidence was the effectiveness of the working alliance between President Thieu and Prime Minister Huong. This has been one of the major pluses for the period. Thieu and Huong have complemented and supported one another in the effort to prepare the people for peace negotiations and a future political contest with the communists. Despite some obvious difficulties, Thieu backed Huong on his anti-corruption campaign and significant progress was made. He allowed Huong to run the government from day to day with little interference and supported his decisions, while Huong looked to Thieu for policy guidance and threw his considerable personal influence and prestige behind the Thieu regime. The result has been more effective government, significantly increased popular support, and continued, though not yet adequate, movement toward national unity.

The Vietnamese confidence in the U.S. also improved. In late June and early July, the Assembly and the press were full of forebodings about American intentions. The lower house called on the U.S. to put a time limit on the Paris talks and one deputy called the absence of a Vietnamese representative at the talks "a national disgrace." By the end of September, these fears and suspicions had subsided to a considerable extent. The Honolulu Conference and our firm stand at Paris were two factors contributing to this change. It also reflected Vietnamese relief at the outcome of our national party conventions. It sprang significantly from awareness of the fact that the military situation was greatly improved.

Also contributing to the trend toward more national unity was Thieu's efforts to nurture a broad nationalist political organization. The official launching of the Lien Minh took place on July 4 and some 842 cadre have been since trained for a high impact self-help social welfare program in Saigon.

The second basic trend which I observed in the first half continued; there was further movement toward constitutional democracy, government based on institutions rather than personal relationships, and civilian control of the military. Thieu is in fact now close to exercising the full powers vested in him by the Constitution, and the extra-constitutional power of Vice-President Ky and the other generals has continued to decline.

Perhaps the most obvious example of this trend was the removal, without repercussions, of General Khang as III Corps commander. Khang was not only the principal Ky supporter still holding a position of great power, but he is an avowed opponent of constitutional democracy. He thoroughly distrusts
civilian politicians and the National Assembly, he has never concealed the fact. His removal symbolizes the further decline of the power of the military group that took over the government in 1985.

Less dramatic than Khang's removal, but at least equally as important in moving toward constitutional government and full democracy, was the continued functioning of an independent legislature. While it was by no means all smooth sailing, the Assembly and Executive continued an effective working relationship. Besides serving as a vital sounding board for public opinion, thus providing both a safety valve and a meaningful check on the executive, the Assembly hammered out several basic laws. These included the measure establishing the Supreme Court, the law governing the inspectorate, war risk insurance, and an electoral law for the by-election in Saigon. Well along toward enactment were the laws governing the press, the political parties, and of setting up the three councils provided for in the constitution.

During this period the GVN continued to carry out its general mobilization program. By September 30, regular forces alone had a strength of 825,000; including the paramilitary forces, the total was well over a million. Efforts to upgrade and increase the strength of RF and PF continued, and self-defense forces were enlarged to over 650,000 men and women. While many weaknesses and shortcoming remain in the effort to effect total mobilization, when one considers what has been achieved from a manpower pool representing two thirds of a population of 17 million, the magnitude of the accomplishment is impressive.

On the military side, the trend has been one of steady improvement in the position of allied forces and deteriorating capability on the part of the enemy. The enemy continued to suffer very heavy casualties; the total enemy killed in action this year is already greater than for 1966 and 1967 combined. Although the August attacks made few headlines because they were smashed before they really got off the ground, enemy losses were almost as great as those suffered in the more spectacular May/June offensive. One result of these heavy losses is the growing proportion of regular North Vietnamese troops, a situation which is causing the enemy increasing difficulties in terms of local support and troop morale.

While the May/June enemy drive was markedly less effective than his Tet attacks, the decline in enemy offensive potential was revealed with far greater force by his almost complete failure to get the long threatened "third wave" underway. Except for a brief foray into the outskirts of Tay Ninh, the enemy penetrated no urban areas. He was forced to abandon his intention to attack Banmethuot, and the main target—Saigon—was never seriously threatened. By defeating the enemy away from population centers, the heavy damage and loss of civilian lives that accompanied the Tet and May offensives were averted. This enemy failure, unfortunately, had the paradoxical effect that others elsewhere in the world did not take cognizance of the fact that he had tried, and failed, to launch a third offensive.
It is also notable that the withdrawal of friendly forces from the countryside to defend cities and towns did not re-occur so the proportion of the population under reasonable government continued to increase slowly but steadily despite the August attacks and is now virtually back to the pre-Tet level. At the end of the quarter, the government was developing plans aimed at increasing further its control of the countryside—the pacification counteroffensive. This took on new importance in light of the heavy emphasis by the enemy on the formation of “Liberation Committee.” While these committees could serve a variety of purposes, it seems likely that they are intended primarily for a ceasefire situation. Given some kind of internationally supervised ceasefire, Liberation Committees could lend some credibility of control over wide areas of the countryside. It should be noted, however, that much of this is “old wine in new bottles”; that many of these committees are simply existing bodies under a new name and that more than half of them are in VC-controlled hamlets and villages. In any case, it is vitally important that this tactic be countered and the government’s plans for this, I believe, are sound. We will support them fully.

There is, of course, a debit side of the ledger. While I think it is fair to say that the overall situation has improved significantly in the past three months, important weaknesses and shortfalls still plague the GVN and its Allies.

On the political side, it must be said that the progress toward unity which I have cited above still leaves us far short of the goal. The government needs much more popular support than it has won so far. If it is to rally the anti-Communist majority for a successful political effort against the communists, the Lien Minh must find a way to draw in other political groups, such as the militant Catholics, Hoa Hao, and Buddhists. Though the decline in Ky’s power makes his relationship to Thieu less crucial, the continuing distrust between them remains an important political liability.

In some areas, the Thieu-Huong government has made important progress toward effective constitutional democracy; it must also be said that they have often proved less than skillful in handling problems affecting youth and the press and a few dissidents such as Truong Dinh Dzu. Corruption has been cut back and the attack continues, but it still remains a deep-rooted cancer.

On the military side, we must note that despite his failures and defeats, the enemy still has some capability of building up for further costly offensives, in the hope of wearing down our determination to see the war through. His ability to withdraw to sanctuaries in Laos, Cambodia, and North Viet-Nam gives him a great advantage if this is his purpose. Nobody could tell us as of the end of September to what extent Hanoi believes its own propaganda about our losses and how they assess the likelihood of important American concessions in Paris. While we objectively judge their military situation to be very bad, they may subjectively still judge it to be good enough to hold out for American concessions.
Finally, the basic question is are we making progress, are we gaining or losing ground? In Viet-Nam, an assessment is doubly difficult because the very nature of the war makes defining victory or defeat so much more complicated than in most conflicts. I have outlined the progress for the last three months, the trends as I see them, and the remaining problems. After adding all of the factors, the pluses and minuses together, and making allowances for the imponderables, I can only say that I feel optimistic about this situation; that the steady, though not spectacular progress I have previously noted has continued and accelerated. The tide of history now seems to me to be moving with us and not against us; and I believe that if we persevere, this bitter war will serve to prevent future, broader conflicts.

When I wrote the summary for the first six months of 1968, the Huong Government was still so new in office that it was difficult to say much about its performance. Now, with only a little over four months to judge by, it is still early to come to firm conclusions, but I think it may be useful to draw up a tentative balance sheet.

Perhaps the first item on the plus side of the ledger is the increase in popular support which Huong brought to the government. He has a substantial personal following in the south. More important, his image as an incorruptible, tough, paternal figure has not suffered after four months in power. If anything, his speeches, his travels, and his public acts have brightened the image.

Huong has his detractors and his political opponents, and the Vietnamese public remains perhaps the most skeptical in the world. At the very outset Huong faced stiff opposition from the revolutionary Dai Viets, some Northern Catholic elements, and some of the cliques around Vice President Ky. Ky himself predicted that the Huong government would not last long.

Huong’s opponents adopted the tactic to trying to label Huong soft vis-à-vis the NLF and pro-Communist elements. Huong cut the ground from under them, not without some political cost, by firing Doctor Phan Quang Dan and by taking a very tough line with students and the press. The trial of Truong Dinh Dzu and the alliance leaders was in part this kind of response to the pressures Huong felt from his political enemies.

However regrettable some of these moves from our point of view, they at least proved effective in terms of Vietnamese domestic politics. Barring unforeseen events, such as a turn in the Paris talks considered unfavorable to the GVN, there seems no immediate danger that Huong’s opponents can generate any significant degree of popular pressure for a change in government. On the contrary, recognizing that their tactics have been unprofitable, the leaders of the revolutionary Dai Viets have recently decided to moderate their opposition stance.

Probably the second most important plus for the Huong government is the anti-corruption drive. This effort predates the Huong government, and it is due at least as much to President Thieu’s support as to Huong’s determination to clean up the government. With the sometimes free swinging support of the Assembly and the local press, Huong has given the fight against corruption new impetus and new prominence.
Among Huong's first moves against corruption was the revitalization of the executive inspectorate system by placing it under Minister of State Mai Tho Truyen. Truyen's office is charged with investigating charges of corruption and documenting them. Truyen has told us that his staff cannot keep up with the volume of complaints they receive. A more recent administrative anti-corruption measure was the creation in August of anti-corruption committees in every province and municipality. They are specifically charged with inventing and implementing measures that will make corruption more difficult and less profitable. Also in August, the Huong government directed all civil servants to declare their property holdings, including the property of their wives, children, and parents.

Huong has continued Thieu's earlier efforts to remove corrupt officials, particularly province chiefs, and replace them with more honest and more able men. Since Tet, 23 of 44 province chiefs have been changed and the government has made known its intention to replace four more; while many of these were not relieved for corruption, the majority of those whom we had reason to consider notoriously corrupt were among the men removed. In the past such offenders were often not prosecuted or otherwise punished, even though they were fired for corruption. In September the Huong government not only announced the removal of three province chiefs "in order to push forward vigorously the anti-corruption campaign" but also stated that two of them would be prosecuted for corruption.

The replacement of General Loan as Director General of Police by Colonel Tran Van Hai has also been important in reducing corruption. Petty graft and shakedowns by police have long been among the most visible and annoying forms of corruption from the point of view of the average citizen. Hai has removed, punished, and disciplined literally hundreds of police and police officials in an effort to end these practices. We have several reports that indicate he has in fact made significant inroads on this politically important kind of corruption.

The Huong government should also get credit for several measures designed to realize Huong's belief that the government must make sure that the constitution is applied and that all citizens are equal under the law; in effect, to reestablish the government's authority. Among the more important of these moves was the effort to liberalize the processing of civil prisoners. Dismayed by the number of persons being held without charge in jails throughout the country, Huong ordered the formation of special committees to screen all such prisoners within a minimum time period. Prisoners were either to be charged and tried or released promptly. Huong himself visited a number of prisons to follow up his orders. The result is that several thousand illegal detainees have been released, and the police system generally brought more into line with the guarantees written into the constitution.

The most notable beneficiary of Huong's move to free or try illegal detainees was Thich Tri Quang and several of his followers. These An Quang leaders had been put under "protective custody" after the Tet attacks. With
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Thieu's blessing, Huong acted to release them. This move not only dramatized the government's confidence and determination to support legal forms, but in Vietnamese eyes it also placed Tri Quang under a public obligation which makes it more difficult for him to attack the Huong government directly.

In line with this policy, Huong has also pressed Thieu to permit General Duong Van Minh to return to Viet Nam. At the end of the quarter, Thieu took the decision, in part I believe also at my encouragement, and Big Minh returned to Viet Nam October 5. While Minh has so far avoided all efforts to identify him with the government or any opposition group, his return is widely regarded as a wise and liberal measure. I also hope that in the future Big Minh's considerable popularity can be brought to bear in support of the GVN and against the communists.

The Huong government should also be given credit for pressing the civil defense program forward vigorously. After Vice President Ky dropped this project, Huong and his ministers picked it up. With our encouragement, Huong designated August self-defense month, and as I noted in the General section, well over 650,000 men and women are now enrolled in self-defense units.

There are other areas in which the Huong government has registered achievements. These include his travels and speeches aimed at preparing the population for the coming political contest with the communists. (He has specifically tied the self-defense organization to this need in a number of his speeches. Along with Thieu, Huong has worked hard to win a public acceptance of a negotiated settlement and the imperative need for political unity against the communists in the peace that is coming.) While not temperamentally inclined to an easy relationship with the Assembly, Huong has succeeded in working well with Assembly leaders. Huong is also generally credited with increasing the efficiency of the cabinet and the ministries. He has focused bureaucratic attention on the priority problems and applied pressure for results.

On the negative side, the Huong government still has a long way to go in winning positive popular support, eradicating corruption, reforming the civil service and breathing more vigorous life into the democratic forms which the Constitution outlines. The major shortfalls as well as the major accomplishments are in those areas; it is not that Huong has not done well, but that there is so much to do and that time is so short.

The Huong government dealings with the press and students have been mixed. Although one of the first acts of the Huong government was to lift censorship, it then proceeded to mete out suspensions and fines to some papers for false reporting and failing to take guidance on some issues. Criticism has not been stifled by any means, but the Government has made clear that the press is not to print any story which may undercut the GVN position on peace, negotiations, or the prosecution of the war. Similarly, the Huong government has dealt sternly with some left-leaning student leaders which may
have alienated some of the politically-minded students who constitute the usual minority of the student body.

There were also the trials by a military court of the Alliance leaders and Truong Dinh Dzu. While these trials probably strengthened the government internally—certainly they caused virtually no expressions of opposition—especially Dzu's conviction had a most unfortunate effect on the GVN image abroad. I think it is also fair to say in this connection that in general the Huong government has been preoccupied by its internal problems to the point where very little has been done to promote its interests in the international sphere.

To sum up, I think the Thieu-Huong alliance has resulted in a government that is more popular, more effective, and more stable than any since the early years of the Diem regime. Nevertheless, the GVN faces monumental tasks; it must redouble its efforts if it is to succeed in forging the national unity and the strong institutions which are likely to be essential for success in the future political war with the communists.

When the third quarter began, it appeared that the enemy was preparing to launch a series of attacks against Saigon, Banmethuot, the eastern DMZ area, the Hue–Quang Tri area, and the area southwest of Danang. Allied forces aggressively disrupted this effort, engaging the enemy wherever possible, penetrating his base areas, and breaking up his logistics system.

Air strikes and artillery contributed significantly to the effort. B-52 strikes proved particularly effective. One Hoi Chanh who rallied on 22 September near Kontum City stated that air strikes had left only 40 survivors out of 450 assigned personnel in the 4th battalion of the 24th regiment. Recent evidence indicates that the B-52 strikes have caused serious damage to the enemy in all four corps tactical zones, and that the psychological impact on his morale has hurt his fighting ability.

The enemy was kept off balance, and when he finally launched what he termed his "third offensive" on August 18, he was unable to achieve any of his major objectives. He was defeated in sharp engagements at Tay Ninh, near Danang, and at the Duc Lap CIDG camp. He was forced to abandon his plans for an attack on Banmethuot, and although Saigon was rocketed on the night of August 22, the capital was never threatened by a ground attack.

Enemy activity peaked near the end of August and declined steadily in September. Our forces continued to pursue the enemy in September, inflicting further casualties and capturing very large quantities of weapons and supplies. By the end of the quarter, the threat had been met and defeated by Allied counteroffensive actions. Enemy activity, for the most part, was reduced to attacks by fire against population centers and military installations, an increasing number of terrorist acts, interdiction of friendly LOC's and attempts to avoid battle with organized friendly forces.

The threat has not been eliminated. The enemy's access to sanctuaries across South Viet-Nam's borders is a tremendous advantage should he decide to rest and regroup for a new offensive thrust. But the capability of the
enemy to achieve his objectives has been reduced. By moving aggressively in the pacification field to take advantage of this opportunity, we can strike a severe blow at his longer-term capabilities.

Enemy losses this quarter were again very heavy. Enemy KIA during what he calls the third phase offensive were over 23,000—nearly as great as that inflicted during the May–June attacks. Enemy forces lost vast quantities of arms and supplies as they were driven back and were hence unable to protect their logistics system. During the period January–September, we have taken from caches almost 8,500 weapons (over 900 crew-served), and over 700 tons of ammunition.

RVNAF also continued to expand and improve its combat performance during this quarter. On June 30 RVNAF had approximately 765,000 men under arms. This was an increase of 120,000 over the level of January 1. At the end of this quarter, the RVNAF strength had increased to about 825,000, a jump of nearly 60,000 men in a period of only three months. Total armed forces in this country, as I said above, are now well over the million mark. This would be the equivalent, on our much larger population base, of an American force of 18 million men.

The RVNAF is also fighting better. MACV reports that ARVN forces have gained self-confidence through their victories in recent months, and show encouraging signs of aggressiveness in the conduct of their operations. The increase in firepower of GVN units resulting from issuance of the M-16 rifle and M-60 machine gun has caused a substantial change in the soldier's attitude toward closing with the enemy. Now, armed with a weapon better than the enemy's, he has frequently sought contact with enemy main force units and shown less reluctance to accept casualties in order to decisively engage and defeat the enemy. Large unit leaders have displayed a new aggressiveness, and junior officer and NCO leadership have shown improvement, although certain units are still plagued by serious problems of leadership and training.

While it is difficult to quantify such matters, I call your attention to the conclusions reached by Systems Analysis of the Department of Defense in a study published in the September issue of Southeast Asia Analysis Report. It showed that since March of this year, ARVN battalions have been 56 percent as effective as US battalions in killing the enemy versus 48 percent during 1967. It concluded that this better performance by ARVN is equivalent to getting the output of an additional 16 US battalions against the enemy. The improved performance plus the increased RVNAF size have added the equivalent of almost 200,000 Americans between 31 December 1967–31 August 1968. This is the more impressive when one remembers the great difference in artillery and air support which the US forces receive. A separate study in the same Systems Analysis publication showed that per man, the US soldier in a maneuver battalion gets more than ten times the rounds of artillery supporting a Vietnamese in a tactical unit. I don't have a comparable figure for air support, but we know the Vietnamese get much less.
Almost 67 percent of SVN's 17.5 million population is now regarded as relatively secure, thus practically erasing the Tet setback. If we look at rural population only, the same trend is evident. Relatively secure rural population has now reach 51.3 percent of the countrywide total. Contested rural population declined to 22.8 percent, and VC-controlled rural population to 25.9 percent, by the end of September.

While the improvement in pacification prospects is attributable partly to enemy losses and emerging weaknesses, much must also be ascribed to favorable development in several pacification areas—particularly improvement in RF/PF and in the attack on the VC infrastructure.

MACV’s longstanding efforts to improve the neglected RF/PF are finally beginning to pay off. Their weaponry has been significantly upgraded, and more is in prospect as we being the issue of M-16s. By the end of the third quarter 1968, RF/PF strength had reached 386,000, the highest ever. This rapid expansion caused a temporary shortage in officer and NCO cadre, but in August–September this gap began to be filled. Operational results for August (September data is not yet available) show that RF unit operation increased by 8,000 over July (16 percent) and contacts with the enemy increased by 300 (22 percent). PF unit operations increased by 7,600 (9 percent) and contacts by 330 (26 percent). The RF/PF killed 77 percent more enemy in August than in July, while their own KIA increased by 47 percent. We see no reason why this trend in RF/PF should not accelerate.

The second notable development in July–September 1968 has been the coming of age of the attack on the VC infrastructure. Thieu gave the Phung Hoang program his personal blessing in July and Minister of Interior Khiem has been energetically pushing it. By the end of September the number of key district intelligence and operations centers had risen to over 200. We estimate that in 1968 to date between 9,500 and 10,000 VIC have been neutralized—either killed, captured, or rallied. It has taken a long time to get this program well organized and effectively operating on the GVN side, but the program has finally reached the point where it should make an increasingly vital contribution to pacification.

The GVN also continues to put in stronger leadership at the key district and province level. What was once the exception has now become the rule. Most province or district chiefs whom we recommend for relief are removed—if not always quickly, at least when “conditions” are right. A second province and district chiefs training course will graduate on October 19. Minister Khiem has asked for our up-to-date list of poor province and district chiefs for his use in placing the new graduates. Police Chief Hai, the Chieu Hoi Minister and Refugee Minister Lu Y have also acted rapidly over the past few months to remove corrupt and/or ineffective chiefs of police and technical services in the provinces. We count this upgrading as one of the biggest pluses in pacification.

Chieu Hoi returnee rates remained steady during the quarter; during July–September some 4,669 ralliers came in. In view of the increased enemy ac-
tivity during August, including seven attacks on Chieu Hoi centers in the last week of August alone, the rates are considered favorable.

Another area of significant improvement is civilian self-defense, which indicates growing popular identification with the national government. According to GVN figures for end-September, the total number of participants in self-defense activities of all types was 658,934. Of these 239,264 had received training, and 58,318 had been issued weapons. Popular enthusiasm was fostered by designating August as self-defense month. High-level GVN personalities participated in self-defense ceremonies and it was used to gain popular participation. The traditional reluctance of the government to put weapons in the hands of the people is gradually changing. Some local defense groups have performed well against enemy attack and they are an increasingly valuable source of intelligence.

As the quarter ends, the most promising development is the across-the-board pacification offensive now laid on for November-January. It calls for upgrading the security status of 1,000 contested hamlets, a major Phung Hoang campaign to eliminate 3,000 VCI a month, a special effort to rally 5,000 Chieu Hoi returnees, a campaign to increase popular self-defense groups to over one million people, and a major psywar campaign. The purpose is to galvanize the GVN pacification effort, and if we achieve even half of these ambitious goals it will be a powerful shot in the arm. Thieu is energetically pushing the offensive, and has accepted the proposals of our pacification advisors. Their initiative is commendable. Despite the many continuing problems in this most difficult of all Vietnam programs, pacification is back in stride and the outlook more favorable than in months if not years.

The economic situation in the third quarter began to shift slowly away from the pattern of the first half. The rise of spending, the size of the public deficit, and the monthly increase in money supply all fell off as the impact of mobilization passed its peak. Heavy import licensing ($42.9 million compared to $31.4 million during the previous quarter) showed renewed confidence. The increase in prices (about 30 percent so far this year) has not yet reflected the increase in money supply (up about 50 percent). With confidence slowly but steadily returning, there will almost certainly be further price increases in the last quarter of the year.

The rural economy moved toward pre-Tet levels of activity as transportation routes were generally open and a plentiful supply of goods available. At the same time, prices of many items bought by farmers rose while farm income remained below the level of the previous year, largely because of the situation in the rice trade. That situation was characterized by depressed paddy prices paid to the farmer, low retail prices in Saigon, large quantities of paddy stored in Delta rice mills and unsold on farms, and excessive stocks of imported rice in Saigon. On October 11, the Prime Minister told me that the government had decided to cut the present subsidy on imported rice in half, i.e., that the price of imported rice should be permitted to rise. Since the price of imported rice tends to set the market price, this will assist farmers.
The impact on urban living costs should not be significant. The Prime Minister said the cabinet would make a full report to President Thieu on economic matters in a few days. Announcement of action on the rice subsidy and other economic matters should follow soon thereafter.

During the quarter, USAID continued our efforts to promote economic recovery and growth. More than 21,000 hectares of IR-8 and IR-5 rice [were planted] during the first crop planting from April through August. Sample average yields are five tons compared to two tons for local varieties.

A new program involving the training and use of village officials was initiated to accelerate the distribution of government-owned rice land. It appears that the government's goal of distributing 70,000 hectares by December 1968 will not be reached until April 1969; however, the December deadline was generally regarded as overly ambitious. With respect to land tenure in areas where VC "land reform" has been carried out, I have continued to urge President Thieu to develop and announce a national policy which would give present occupants title to such land if possible, and exempt them from back rents and taxation. He spoke favorably of such a policy during a recent trip I made with him to Ba Tri (where the government has recovered control of a formerly VC-held area), and he has told me he will follow up on it. It would have to be coordinated with land tenure policy in GVN-controlled areas, and the problem of compensation for former landlords must be worked out, but these things can be done.

Despite a five-month work stoppage caused by the Tet and May attacks, the hamlet school program for 1968 is almost on schedule. Eighty-five to ninety percent of the allocated classrooms (2,495) and 100 percent of the teacher training (3,238) will have been completed by year's end.

USAID also participated in the reconstruction of some 100 industrial plants damaged by the Tet and mini-Tet attacks. The GVN has provided one billion piasters and USAID $10 million for this purpose. These funds will permit long term, low interest loans under the administration of the GVN's industrial development center which is technically assisted by the USAID industry division. The GVN grant is already over 70 percent obligated while the US government grant is approximately 40 percent obligated.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY SEVENTY-SECOND WEEKLY TELEGRAM, OCTOBER 30, 1968

In my last message, I summarized the developments and progress of the third quarter of 1968 as well as some of the shortcomings and remaining problems. I think it may be useful this week to outline the priority areas and problems on which we believe we should concentrate between now and Tet 1969.

All of our efforts are ultimately aimed at establishing a just, honorable, and durable peace in Viet-Nam. A durable peace presupposes the establishment of a government that is stable and viable—politically, militarily, economically, and socially. In the coming months, therefore, we must concentrate on preserving and further developing the elements of political and administrative strength which have been built up over the past few years. This means we must continue to do all that we can to strengthen the present constitutional government, broaden its base of support, improve its effectiveness, and extend its control over the maximum number of its citizens. In more concrete terms, this will involve such things as pressing the planned pacification offensive, the Chieu Hoi program and the attack on the infrastructure. It will also mean continued progress toward full constitutional democracy, greater efforts to build a broad nationalist organization, a new impetus on land reform, and measures to increase the income of the ordinary person and protect that income from run-away inflation. The latter can have as much to do with influencing his basic loyalties as any other single factor.

If we are now hopeful of moving from the military to the political context, it is primarily because of the success of our military effort. We must keep up the military pressure on the enemy. We must continue our measures to develop, improve, and better equip the Vietnamese armed forces to take over a progressively larger share of the burden. Military plans for the next four months are phrased in terms of a maximum effort to destroy enemy military potential, of which the enemy's political apparatus is an integral part.

To a large degree, our role in promoting nationalist unity and political strength is necessarily confined to advice and encouragement. I think that nearly all Vietnamese leaders are coming to see clearly that not only nationalist political unity and organization is essential, but that this is something they must do for themselves. At the same time, I am concerned by the continuing divisions in nationalist ranks.
President Thieu, Prime Minister Huong, and a number of other leaders in and out of government have made considerable progress in preparing public opinion for a negotiated settlement and a political struggle with the enemy. In the military establishment, the civil service, in the self-defense corps, police, and in the RD cadre, they have organizational means to combat the communists in the political arena. Huong in his speeches to self-defense groups has stressed their roles as political warriors once the shooting has stopped. We must now stimulate similar thinking and planning for the use of other government controlled organizations. I think this should include a new effort to organize and direct the efforts of veterans, which will be particularly important once demobilization gets underway.

In the field of political organization, the most promising vehicle now appears to be the Lien Minh. We have assisted this organization to a limited extent and will continue to do so discreetly as opportunities arise. The training of 940 New Action Program cadres, who have already begun work in Saigon, is encouraging. This program should be doubled in size and extended to other major cities in the next four months.

The Lien Minh suffers from some divisions among its top leaders, and I think it will be essential for Thieu to take a more active part in its direction if these divisions are to be overcome and new groups attracted. He has been moving in that direction, but I shall attempt to get him to move further and faster. We will also press the Lien Minh leaders to work together and to seek support from other organizations.

In addition to pushing the Lien Minh, I hope it will be possible for Thieu to promote national unity by further broadening the base of the government. A suitable role should be found for “Big” Minh in order to throw his considerable popular prestige behind the GVN. We will explore again the possibility of getting some Dai Viet and perhaps militant Catholic participation in the government. I hope Thieu also can be persuaded to set up some formal consultative machinery so that he and Huong can meet regularly with opposition leaders to exchange views.

The perennial problem of the Thieu/Ky relationship has declined in importance with the steady reduction of Ky’s power. Ky could still prove a divisive influence, however, and I will continue to do all I can to keep the avenues of communication open between them.

On the legislative side, I think it important that the political party law be framed in such a way as to maximize pressure for the merger of existing political groupings. We have been pressing this point on both the legislators and the executive branch, and will continue to do so. We have also been stressing the value of including in electoral legislation a provision for runoff elections. This should help to overcome the divisions in the nationalist camp, particularly in an election situation.

You will recall that the GVN decided to postpone the provincial and municipal elections scheduled for last May. This was done with our concurrence since the security situation simply did not permit the allocation of the atten-
tion, energy, and territorial forces required. The security situation is much improved now and elections are taking place as hamlets and villages are pacified. As for provincial and municipal elections, we should reserve judgment as to when it might be desirable to proceed with these. We can make a better judgment when we see what progress is made in pacification in the next few months.

I am planning to propose to Thieu the appointment of possibly two or three able civilians as province chiefs in provinces where security is relatively good. This would, I believe, be a useful step in further civilianization of the government.

The GVN is continuing to flesh out and use the institutions provided for in the Constitution. The Supreme Court and the Inspectorate will be in place by the end of this month. Still to be established are the Advisory Councils—important both as a means of widening the base of the government and also as a way to employ Vice President Ky's talents (he will chair the Councils). I think the constitutional frame is a source of considerable political strength and we will strongly support and encourage these efforts.

We will also continue to support and encourage the GVN in its efforts to root out corruption. This will include reporting to the GVN cases of corrupt officials and pressing for their removal.

A difficult part of this problem of corruption, especially petty corruption, relates to the low salaries received by civil servants and the inequitable structure of these salaries. The problem requires care in handling because of its potential impact on economic stability.

Our present emphasis, therefore, is on restructuring, rather than merely raising the salary scales. The lower levels of the civil service receive compensation more in line with that available in non-governmental employment than do the higher echelons. Thus the problem is not purely economic, but affects the GVN's ability to hire and retain competent senior civil servants. Our immediate goals are to get the GVN to create a system of super-grades for immediate promotion of higher ranking civil servants; and to launch a program to reclassify the civil service wage structure for better equity and effectiveness.

I described in my previous message the enemy's efforts to mount an offensive in late August, the thoroughgoing defeat of that attempt, and the subsequent adoption by the enemy of a strategy of withdrawal to base areas and sanctuaries, frequently beyond the borders of South Vietnam. This enemy strategy, which I believe was forced upon him by the punishment he took in his "third offensive" gives friendly forces more freedom of movement than they have had at any time since the start of the US buildup. Our forces are operating in areas they have never been in before, from the southern DMZ to old VC base areas in the Delta.

Our own and Vietnamese forces, under plans worked out by General Abrams, are moving to take full advantage of the opportunities this situation opens to us—opportunities by no means purely military in nature. We are stressing more heavily than ever before that for ourselves as for the enemy,
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there is only one war—not a separate war of big battalions, a separate war of pacification, a separate war of territorial security; these are all integral parts of the same war.

To illustrate the point, we know from long experience that in readying an offensive the enemy establishes his routes of access and advance through areas in which guerrillas and VC infrastructure are strong. He works with the infrastructure and guerrillas to establish his supplies in depots or caches. Then he moves his main force units in such a way as to take advantage of supplies, security, reconnaissance, and guides provided by the guerrillas and the VC infrastructure. Accordingly, now that the enemy has been forced to pull back, caches and depots already in place have been exposed and a maximum effort has gone into picking them up. I have reported the impressive results obtained. We are also striking, with all the resources at our command, at the guerrilla and VC infrastructure which is essential to the reestablishment of this logistics net which we are now destroying.

In areas where there are no large enemy forces now, friendly forces will be reduced to the minimum necessary to provide a reconnaissance screen which could detect early any resurgence of main force activity. The forces thus released will be used in combined operations with ARVN elsewhere, against VC local forces, guerrillas, and infrastructure. Our air mobility will permit us to respond quickly to any resurgence of main force activity. Arc Light strikes will be targeted against VC units and base areas, against supply routes through the Laotian panhandle, and against any NVA forces which re-enter from Laos or Cambodia.

In I Corps, screening operations continue in Western Quang Tri and into the DMZ area. However, we no longer need the same concentration of force there as before. In II Corps, the US 4th Division is maintaining a light reconnaissance screen along the Laos-Cambodian border. In III Corps, there is increasing evidence of a heavy NVA force across the border in Cambodia. Appropriate shifts of our forces will be made to take account of this threat. This situation heightens further the problem posed for us by the enemy use of the Cambodian sanctuary. Because of it, the enemy can continue to pose a threat to Saigon despite the extent of his withdrawals from South Viet Nam.

In the Delta the most intensive drive ever to be conducted will be kicked off. General Abrams has developed a plan calling for screening the Cambodian border by a US air mobile brigade; moving into known VC base areas this side of the border by Vietnamese Army and Marine units supported by US forces regularly stationed in the area; and an accompanying assault on the VC infrastructure. Preliminary operations are scheduled to start on December 1, but that date may be earlier. The operation will be fully underway by January 1. Market Time and Mobile Riverine Forces as well as naval gunfire support will be fully utilized. A greater weight of tactical air will be brought to bear. The enemy has been badly hurt in the Delta, and everything possible will be done to keep the pressure on him.
In all four corps areas, a greatly increased effort against local forces, guerrillas, and infrastructure is underway. Evidence of the effect of this pressure on the VC is already coming in. A situation report taken from the body of a member of a Military Proselyting Unit ambushed and killed in Quang Dien district (near Hue) on October 16 told in detail the great numbers of VC, both military and VCI, killed, captured or defected. He said allied attacks had cause a distrust in the revolution and a loss of confidence in the cadre. He concluded that “…this is the darkest moment for Quang Dien and…a moment like this did not exist before.” An [three words excised] from the Delta indicates that the VC Province Commissioner in Can Tho said the VC situation in Can Tho and throughout the country is “tragic” and he believes the war will be lost by the end of the year if the Allies persist.

We are attempting and will continue to take full advantage of lowered enemy morale. Especially in IV Corps, this is reflected now in a high Chieu Hoi rate—an average of more than 30 per day from IV Corps alone so far in October. With the exception of March 1967, the average is at its highest level in two years. I plan to urge a broadening of the Chieu Hoi appeal by concrete actions, for instance, by prominent appointment of Hoi Chanh to government positions; and to develop more effective appeals to NVA soldiers, who now make up the bulk of enemy forces, to surrender and become POWs.

We have already been working with the GVN for more than a month on how best to refocus and energize pacification for maximum effect between now and Tet. Since the spread of VC “liberation committees” and the enemy's waning military fortunes signalled the possibility of a VC switch to a more political phase, we urged that the GVN pre-empt this possibility by vigorously expanding its influence in the rural areas. President Thieu has ordered an across-the-board three-month pacification campaign starting November 1. This will also lay the groundwork for an even more extensive 1969 pacification effort, designed to create relative security for 80–85 percent of the country's population by the end of 1969.

Prime Minister Huong's more detailed directive sets priorities and establishes concrete, measurable goals without which it would be impossible to manage such an extensive, complex campaign. His specific directives include: “The special pacification campaign will consist of a six-part counteroffensive as follows:

a. An intensive military spoiling campaign to destroy enemy organized forces and drive them away from populous areas of South Viet-Nam.

b. An all-out effort to upgrade 1,000 contested (D,E) hamlets to at least C hamlet status before 31 January 1969.

c. An accelerated Phung Hoang (Phoenix) campaign to neutralize at least 3,000 VCI each month.

d. A stepped-up Chieu Hoi campaign to rally at least 5,000 hoi chanh during the 1 November 1968–31 January 1969 period.

e. A widespread people's self-defense campaign to expedite organizing 1,000,000 defenders and arming at least 200,000.
f. An information campaign to demonstrate to the people and the enemy that GVN has seized the initiative and is moving rapidly towards the end of the war."

Overriding priority is given to providing adequate security forces—RF/PF or in special cases ARVN—to upgrade 1,000–1,100 contested (D, E) hamlets. Only four main tasks will be undertaken in these hamlets: (1) establish a functioning local government, holding hamlet elections if possible, (2) neutralize the VC infrastructure, primarily in an accelerated Phung Hoang campaign, (3) organize a people’s self-defense group of at least 50 members armed with at least 10 weapons, and (4) initiate modest self-help projects for which 100,000 piasters plus commodities is allocated per hamlet.

Specific hamlet goals assigned to each Corps (I CTZ—140 hamlets; II CTZ—226 hamlets; III CTZ—259 hamlets; and IV CTZ—459 hamlets) result from detailed feasibility studies by each province. Many province chiefs feel confident they can accomplish more. With the President prescribing that the HES will be used both to select hamlets (thereby prohibiting any province from choosing soft touches) and measure results, the old problem of “false progress” should be largely overcome. Thieu stressed honesty in reporting in his talk at a big pacification seminar Saturday before last for key planners from all 44 provinces.

We also anticipate greater results against the VC political apparatus in the special three-month campaign. The Phung Hoang directive allocates by Corps the countrywide goal of 3,000 VCI per month. Priorities call for Phung Hoang operations to be conducted principally in contested areas and aimed at eliminating enemy “liberation committees” and VCI in target hamlets. Other directives on self-defense, Chieu Hoi and information are in final stages of preparation.

Thus the special campaign ties together all of the priority pacification emphases that we will be stressing in the next three months. Other programs won’t stop. Refugees will still get priority attention in I Corps where more than half the total are concentrated. Work will continue in 1968 RD areas, although the program has been extended one month to coincide with the special campaign.

I think that this campaign is the most important effort in the pacification field we have yet undertaken. Though the goals may seem ambitious, they are conservatively calculated. Even if we only achieve 60–80 percent of them, the GVN will be doing better than ever before. We are accepting risks in order to optimize the opportunity to reinforce favorable trends and further reduce the declining enemy hold on the countryside.

The measures we take in this area can be important and in some cases critical to the outcome of the political contest with the Communists. For example, we are working with the GVN on the development of a Charter of Social Revolution which will incorporate many of the specific moves to be made in both the short and long term, and which we hope will be developed into a major part of the GVN psychological effort. Post-war planning will probably
lend itself to a similar effort. Aside from such psychological exploitation, the extent to which the Government is able to make moves which will increase the income of the ordinary person and protect that income from runaway inflation will have as much to do with influencing his basic loyalties as any other single factor.

In the time frame of the next four months the most important areas to work on are control of inflation; expanded and speeded up land reform effort; and an increase in the price the farmer gets for his rice. We will also be moving to accelerate programs aimed at increasing agricultural production, improving the climate for commerce and industry, and contributing to the improvement of urban life.

The management of the economy at this time is made more difficult by the existence of inflationary pressures deriving primarily from the increased mobilization effort of this year, the effects of the Tet offensive, and the failure of the GVN to act vigorously in finding new sources of revenue. Thus far in 1968 the rate of increase in money supply has been almost twice that of prices which has produced an “inflationary over-hang.” Under what circumstances the present, apparent preference for cash hoarding may be transformed back into a preference for goods remains unclear, but resurgent confidence among the Vietnamese about the state of their economy may well transform this potential wave of purchasing power into effective demand at any time.

The budgetary deficit has in the recent past been the principal source of new inflationary pressures. In quantitative terms we believe that an increase of prices in 1969 on the order of 25 percent or less under an assumption of no significant change in security conditions would be a satisfactory result in terms of our objectives.

This goal implies a high degree of restraint on the expenditure side. The proposed increase in force levels and the full effect of the current increase in RVNAF will lead to an increment of 16 billion piasters in 1969 as compared to 1968, i.e., an increase with no increase in pay of 23 percent. The slight increase in civilian expenditures, reflecting selected increases in salaries for higher-level civil servants, should be more than offset by a decrease in the cost of the rice subsidy. But we believe that full-blown pay increase for the civilian side would lead immediately to a comparable increase for the military, a situation which could only accelerate dangerously the inflation. Hence, wage restraint becomes an essential ingredient in the policy package, restraint which must also apply to wage policies in the U.S. sector.

As concerns revenue, an increase in the magnitude of some 15–20 billion piasters is clearly needed. While a large part of this could be expected to come from higher import levels, an increase in import duties is indicated; the balance would have to come both from an increase in taxes and improving efficiency of the tax administration.

Among the measures we will continue to urge in order to increase revenue and control inflation are:
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a. Raise the base for customs calculation from 80 to 118 piasters per dollar with a few exemptions for agricultural inputs and necessities. A revenue increase of eight or nine billion piasters should result.

b. Raise POL taxes substantially, exempting kerosene. An increase in revenues of three or four billion piasters should be sought.

c. Enforce use of a uniform code (Brussels Code) for all import taxes, in order to better identify commodities and thus reduce possibilities for tax evasion. This should result in increased revenues of at least one or two billion piasters.

d. Place excise taxes on ad valorem basis, so that the revenues will expand automatically with price increases.

Land reform is an area of high potential political impact, not only in Viet-Nam but abroad. The Thieu Government is placing high priority on a program to provide land ownership to South Viet-Nam's tenant farmers. Strongly supported by President Thieu and Prime Minister Huong, the Ministry of Land Reform and Agriculture is accelerating its program to distribute government-owned lands (expropriated and former French lands primarily) to present tenants. More importantly, the Ministry is also developing new policies and a program for presentation to the National Assembly to distribute absentee landlord farm holdings to the tenants presently tilling these properties.

In June 1968, USAID signed a VN$35 million Project Agreement with the Ministry of Land Reform and Agriculture providing a Special Fund to speed up the distribution of government-owned land. Through this agreement the GVN will issue titles to current cultivators for over 160,000 hectares (395,000 acres) of cultivable and distributable land which was expropriated or purchased from French landowners under the Ngo Dinh Diem regime. This accelerated distribution will be achieved by decentralizing and simplifying administrative procedures. The Government expects to distribute 35,000 hectares by the end of this year and the entire 160,000 hectares by the end of 1969. We will continue to assist and encourage them to complete this distribution as rapidly as possible.

A voluntary purchase program permitting tenants to buy possibly as much as 800,000 hectares of private farm land holdings from landlords is also being formulated by the GVN. We are carefully studying this matter, including the need for a reduction in the retention limit or a provision for forced sales in cases where landlords prove uncooperative. We also have a joint State/AID proposal for possible U.S. assistance to such a program (STATE 258354), and we will be making our recommendations soon.

President Thieu stated at Ba Tri on September 21st that farmers given land by the Viet Cong would be allowed to remain on the land they are farming. In the light of the far-reaching implications of this statement, the GVN is considering revising the voluntary purchase proposal to incorporate additional provisions to implement President Thieu's Ba Tri statement. A major problem in GVN pacification efforts has been how to resolve the multiple ownership and occupancy claims in newly pacified areas. Current GVN policy
essentially reaffirms the former owner’s and/or tenant’s right to return to the land. This could result in the eviction of the farmers cultivating the land at the time of pacification, resulting in a negative impact in the government-controlled areas where a high rate of tenancy and a desire to own land also exist. In addition, there is the problem of many small loyal landowners who were forced to leave their lands and who long to return to their farms as soon as the VC dominance has been eliminated. To cope with this situation, we have proposed to the GVN that as a first step in the voluntary purchase program, a decree be issued immediately declaring a moratorium freezing land occupancy and rental amounts for a brief period subject to extension (probably two years). During this period, no cultivator could be evicted from the land he is now farming (except in special cases), and he could not be required to pay an annual rental higher than the total amount paid in the previous year. The moratorium would keep the present cultivator on the land until the Government, through village administrations, had an opportunity to sort out the conflicting tenure claims. The voluntary purchase plan would then provide the means for the farmer to purchase the land.

With respect to rice policy, Minister Ho has launched another purchase program for 61,000 tons of Delta rice from merchants at 23 piasters a kilo. This will help. However, a more important step, as I said in my last message, is to permit the price of imported rice to increase, thus bringing up rice prices throughout the country. We shall continue to press for this.

The Agricultural Development Bank (ADB) currently is administering ten different loan programs. Some of these programs were initially emergency programs, begun several years ago for a need which no longer exists. A regrouping of the outstanding balances of these funds into a general credit fund to support present GVN agricultural policy would permit the Bank to support more vigorously the production of animal protein and rice and also support the financing of new initiatives in land reform. Consultations with the Bank to attain this objective will be started soon with a view to being able to announce before Tet a new agricultural credit policy. In addition, a proposal which is under consideration to help insure that the 1969 target of 200,000 hectares of IR-5/8 rice planting is achieved is for the GVN either to offer to buy the current crop being harvested—about 24,000 hectares—or guarantee a minimum price for it.

With respect to commerce and industry, we will press for reduction in traffic check points; elimination of the requirement for purchase permits for agricultural equipment; enforcement of the ban on rice movement controls; application of the decree on war risk insurance now issued; and the freeing of commercial imports from all price restrictions.

In the field of urban life, we will continue to work closely with the Saigon municipality. We will seek to expand the municipal services available to lower income neighborhoods. We expect soon to be able to initiate the Saigon power project. We will expand our recent efforts to respond to problems of wartime expansion of urban population, primarily through self-help projects.
We will encourage municipal participation in facilities such as bus transportation and garbage collection.

In my last message, I noted that during the third quarter the steady progress which has been taking place here, interrupted by Tet, had not only continued but accelerated; that the tide of history is moving with us and not against us. I believe that if we give priority to the matters I have mentioned in this message, bring to bear on them all the resources available to us here, encourage and stimulate the Vietnamese to use more effectively their own resources, and intensify our efforts all along the line we can make still greater progress in the months ahead.
FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY SEVENTY-THIRD WEEKLY TELEGRAM, NOVEMBER 30, 1968  Vietnam on the eve of negotiations: A perspective on recent events.

In my last two messages I covered first the achievements, the progress, and the shortcomings of the third quarter of 1968, and secondly the priority areas and problems on which we proposed to concentrate between October and Tet 1969 (end of January). In the conclusion of my last message, I stated my belief that if we brought to bear on these priority areas all the resources available to us here, if we encouraged and stimulated the Vietnamese to use their own resources more effectively, and if we intensified our efforts all along the line, we could make very considerable progress in the months ahead. Although at the time of writing my last message I did not foresee the turn of events relating to the talks in Paris, I think it is important to report that despite the fact that Thieu, Ky, and other leaders have concentrated much of their attention and efforts on matters connected with the negotiations in Paris, that fact has not prevented continued, and indeed accelerated, progress in other fields.

Since my last message the military situation has continued to develop favorably. Casualties of our own and other friendly forces have declined markedly while we have continued to inflict heavy losses on the enemy. Improvement in the Vietnamese armed forces, including the regional and popular forces, has continued. General Abrams' statement that they are "paying the price and exacting the toll" is an accurate reflection of their performance.

The pacification program has accelerated. The population in the relatively secure category at approximately 70 percent is a record high and almost three percentage points above the maximum pre-Tet level. VC-controlled population is at a new low of 15.3 percent. Of the 1,115 hamlets targeted for the intensive campaign, 737 had been entered by November 13. Many province chiefs, including all those in I Corps, think they can double their quota.

The number of VC infrastructure (VCI) neutralized in October is also a record. The rate this month is even higher than the 1,457 put out of business in October.

The Chieu Hoi rate continues to run well ahead of the corresponding period a year ago.

As of October 31, more than 815,000 members had been enrolled in the self-defense forces, more than 330,000 had been trained and 86,000 armed.
In I Corps, it is expected that this month approximately 28,000 refugees will be either returned to their homes or permanently resettled.

Growing business confidence is evident in the increasing import licensing figures. October was the second largest month for the last two years and the trend has continued into November. For more than three months, prices in Viet-Nam have been quite stable. Our Saigon index actually shows no net increase at all over this period. The reduction in the rice subsidy by approximately 82 percent (as compared to the 50 percent we had anticipated) will help to reduce inflationary pressure. There is also an encouraging new initiative on land reform on the part of the prime minister. He has ordered government officials not to collect rents for landlords or intervene on their behalf in disputes with tenants; moreover he and his staff are in substantial agreement with us on the best means for revitalizing Viet-Nam’s land reform effort.

The GVN’s willingness to carry a larger share of the war burden is evident in a comparison of recent defense budgets. In 1967, the US support for the budget accounted for 40 percent of the total; in 1968, 24 percent; and for 1969 it is projected as 16 percent. Although the defense budget for 1969 is considerably larger than for 1968 (95.1 billion piasters compared to 72.7) the actual joint support figure is down from 17.5 to 14.8 billion.

The Lien Minh continues to make progress, given the manifold difficulties attending a venture of this kind. Its governing bodies are meeting; its cadre are beginning to develop projects; “People’s Committees” have been elected in all Saigon precincts; an information program is being developed; the process of forming provincial committees is underway; a new top level political council has been formed; and in general there is steady, if slow, movement forward. There are still problems to overcome, problems of internal stress, leadership, and lack of participation by major religious groups. But if Thieu can now turn more of his attention to the Lien Minh, I think it should be possible to make more rapid progress.

Anti-corruption efforts also continue, with announcement of removal and punishment for a number of provincial officials charged with corruption. Since Tet, 20 province chiefs and 89 district chiefs whom we identified as corrupt or ineffective have been removed for cause. The quality of leadership at province and district level has substantially improved during 1968. Corruption has been brought into the open as a public issue, and allegations by public servants are being acted upon with unprecedented vigor.

Major events of recent weeks have revolved about the reluctance of the GVN to send a delegation to Paris unless it received certain assurances from us. Working out these essentially face-saving assurances has taken up much of our energies and those of theirs, but spelling them out in precise and clear terms as we have, will, I believe, have certain advantages for the future. I am pleased that this difficult period is now over.

Unfortunate as the government position toward the talks in Paris has been during this last month, it has had some side effects which in the long run may
be constructive. The government today has wider support than it has ever enjoyed. Thieu's position as a national leader and Vietnamese confidence in his ability to defend Vietnamese interests has been strengthened. In the eyes of the people the image of the GVN as a sovereign government has been enhanced and Hanoi's propaganda that it is a puppet of the US countered.

The crisis atmosphere of the early days of November in US–South Vietnamese relations had largely subsided by mid-month. The rather truculent and emotional statement of Minister of Information Thien on November 12 really marked the final spasm. When I saw Thieu on the morning of November 15, he agreed with me that it was time that we put an end to public utterances and later in the day put out a carefully drafted statement designed to calm tempers and restore perspective. He said, "I think this is a moment to avoid pouring more oil on the fire. Differences can arise between any allies, but we do not allow them to be exploited by our common enemies, the communists... everything can be solved with calmness and patience, frankness and understanding."

Vietnamese leaders in general had been deeply concerned by the public split with the US and anxious to find a way to repair their relationship with us. Although some still have reservations and concerns about our course of action, the public assurances that we have worked out during the past three weeks have been generally welcomed. As a result of these patient negotiations and assurances, the GVN delegation now goes to Paris to face the Hanoi delegation with more national unity, which in turn should make it easier for them to win acceptance of whatever agreements eventually come out of the Paris talks. As another result of Thieu's strengthened position, I think the GVN can be expected to exhibit somewhat more flexibility in negotiating. Another good effect of our recent difficulties is that the Thieu/Ky relationship has been improved, at least temporarily. They seem to be working together effectively, and Thieu has just announced that Ky will exercise overall supervision of the negotiation effort.

I believe the period between Thieu's November 2 speech and the November 27 announcement of the GVN intention to go to Paris was also useful in preparing Vietnamese opinion for negotiations. While both Thieu and Huong have made consistent efforts for many months to prepare public opinion, events have shown that these traumatic last weeks were necessary to persuade the people that their interest would be vigorously protected. This is particularly true as regards top government cadre and legislative leaders.

On the other hand, our public differences with the GVN had some important negative effects here, as I know they had in the United States. Few Vietnamese believed our version of what happened, and most still believe that the bombing halt was an election maneuver. They also believe that, for all practical purposes, we got little from North Vietnam in return for stopping the bombing. The result is that apprehensions about our ultimate intentions deepened, and Vietnamese hopes for peace in honor and independence temporarily clouded.
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I think, therefore, that our decision against opening talks November 6 without the GVN was critically important in terms of Vietnamese morale. I believe that going ahead without the GVN would have set in motion a very serious decline in governmental and military effectiveness. Once such a decline became evident, the process would have been likely to snowball.

The dangers that would flow from unilateral US negotiations with Hanoi and the NLF were and are apparent to thoughtful Vietnamese both in and out of government. They also understood that from the point of view of world opinion—and to a lesser extent, Vietnamese opinion as well—the GVN could not long be in the position of seeming to reject peace talks.

At the same time, I should add that the majority of the Vietnamese are profoundly skeptical about Hanoi's willingness to negotiate seriously. There is widespread feeling that Hanoi will try to use the talks to further decrease our military pressures on the communist forces, to discourage American public opinion, to create further division among the allies, and to gain time in which to prepare for new military attacks. Fear of a coalition still remains strong in the minds of most Vietnamese.

Nevertheless, at the seminar in Vung Tau, Thieu took a moderate and realistic approach to these problems. He said that the GVN is, and always has been, ready to sit down with Hanoi provided that reasonable conditions are met, that it must be recognized that Hanoi is in fact the "government of North Viet Nam" and that, therefore, "We must negotiate with them." He said that "the present situation forces us to strive for a limited objective. Our limited objectives are that the North Vietnamese cease their aggression. We want a peace to last, with effective international control against re-aggression.... We must expect hard bargaining and hard fighting in the days ahead."

Another possibly negative, possibly helpful, development which flowed from recent events is the resignation of the Minister of Information, Ton That Thien, on November 27. Long under fire from some members of the Assembly, Thien had also made many enemies with his heavy-handed press policy. Although himself a newspaper man, and responsible for the lifting of censorship shortly after he took office, Thien was responsible for closing and suspending more newspapers than any other minister of information in recent Vietnamese history. As the most vocal antagonist of the US in recent days, Thien also put himself in a position to serve as scapegoat.

When the Senate called for an interpellation of the Prime Minister and his cabinet, a number of Senators made it clear that a prime target would be the Minister of Information. Thien failed to appear, allegedly because of airplane trouble and consequent inability to return from Vung Tau in time. The Prime Minister, in response to some questions during the November 22 interpellation, admitted that Thien had occasionally acted too hastily against certain newspapers. On November 27 the GVN announced that Thien had submitted his resignation, and I anticipate it will be accepted.
Some opportunistic elements (and obviously the communists) would like to use the present situation to force Huong himself out of office, but I see no chance that they will succeed. Huong was quite successful during the Senate interpellation and emerged from that potentially delicate confrontation with enhanced prestige and greater support in the upper house. Huong has expressed his determination to stay on to me personally; and publicly denying rumors of his resignation he said November 18 that to leave the government now would be like a soldier deserting the battlefield. He also has Thieu's confidence and solid public support.

While Huong is secure, Thien may not be the only casualty. After debating the results of the interpellation, the Senate on November 27 decided to express "dissatisfaction" with Minister of Foreign Affairs Thanh and Minister of Education Tri. This is not a formal vote of censure, and does not require any executive action. It does, however, put some political pressure on the executive, and I note that in his November 27 television speech, Thieu left the question of future cabinet changes very much an open possibility.

There are some obvious hazards in a major cabinet shake-up at this point. I think it would be particularly unfortunate if Thanh were forced out now. On the other hand, if the government were broadened and strengthened by bringing in elements not now represented in the cabinet—while at the same time eliminating controversial figures such as Thien and Tri—cabinet changes now could be a net gain.

As I have mentioned, the military situation continues to develop favorably. The enemy for several weeks has followed a strategy of avoiding contact, withdrawing into base areas and across borders into Laos and Cambodia. Despite his efforts to avoid combat, however, he has continued to suffer heavy casualties as our forces maintain maximum aggressive pressure. Our own casualties have been much lighter than heretofore and, as I have mentioned, RVNAF continued to give a good account of themselves.

The recent attack on Danang was blunted and frustrated with little loss on our side, but it could presage renewed enemy efforts to go on the offensive. We continue to get intelligence reports which indicate that the enemy is planning another attempt to move on Saigon. With the First Air Cavalry added to our forces in III Corps and the excellent system of defenses which have been developed for the capital military district, I think we can be confident the enemy will be no more successful than he was in August and September.

One view of the enemy military situation is that the cost of his struggle has been so great that he now genuinely wants a political settlement which will transfer the conflict to the political arena. As a result of careful evaluation of recent enemy tactics, MACV favors this interpretation of enemy intentions. MACV believes that the enemy has now made a major decision to shift his emphasis from the military to the political. This decision was forced upon the enemy by a recognition of his rapidly deteriorating military posture. His short-range aims are now primarily defined as a cease fire, formation of a coalition government and the subsequent withdrawal of US forces. The enemy is
therefore concentrating his efforts on extending control over the rural population.

According to this interpretation, the enemy views our strategy as being comprised of three elements: clear and hold operations; replacing US presence with a strong ARVN and GVN; and attacking VC infrastructure. The enemy is responding with a three-fold counter-strategy; destroy outposts and operating allied military units; destroy war facilities in order to weaken RVNAF capabilities; and maintain and strengthen control over the rural population. Enemy activity seems to be directed primarily toward the third factor.

MACV also notes that most enemy-initiated attacks this month have been conducted by VC rather than by NVA. This could be interpreted to mean an overt attempt by the enemy to signal NVA withdrawal. More likely, it could set the stage for North Vietnamese disavowal of responsibility for VC actions.

If the MACV evaluation is correct, we could expect to see an increase in terrorism as the enemy seeks to establish its authority in the countryside. In fact, terror is up sharply this week, with 150 assassinations (107 last week), 323 wounded (243 last week), and 171 abducted (72 last week).

If there is validity to this estimate of enemy strategy, it also reinforces the need for a counter-offensive. It is gratifying to report, therefore, that our accelerated pacification effort is in fact well underway. Hopefully it will frustrate and undercut enemy efforts to extend his control over the population in anticipation of a cease fire.

Enemy calculations may also be based on a combination of negotiations and heavy military pressure. Thieu expressed to me the view last week that the enemy will make another major effort toward Saigon even though he is conscious that very heavy losses will be involved. Thieu believes Hanoi will attempt this for its propaganda uses, and though, realistically, a military victory is impossible, the enemy will claim another great victory for its effect on public opinion here and in the US. His maximum hope would be a knock[out] blow at the capital and the GVN. His minimum objective would be to maintain over a prolonged period enough military pressure to keep up a high rate of US casualties so as to encourage American public opinion to bring pressure for concessions in the negotiations.

To frustrate this strategy, we need to continue to do what General Abrams is now doing so successfully—to inflict a maximum of casualties on the enemy while keeping our own well down. It is not always appreciated how much of the losses are taken by our Vietnamese allies. At our last Mission council meeting, General Abrams reported that during the previous week the US had lost 108 killed and the South Vietnamese forces 203. In the same period, we and our allies caused 2,175 enemy dead. In addition, the enemy lost 650 ralliers, and several hundred of his infrastructure also are now being rooted out at a rate of over 1,400 a month.

I think it is fair to say that success in Paris will be determined largely by events in Viet-Nam. The developments which have taken place here in recent
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months—in the vigorous prosecution of the war, in bringing more and more of the population under GVN control, in the development of more stable and more effective government, in rooting out the VC infrastructure, in preparing the people psychologically for the negotiations—reflect the growing strength and self-confidence of the government and the people. The GVN, therefore, feels, I think, that time is on its side and it will refuse to be hurried into making concessions at Paris, and it will resent to the limit any concession that might endanger the morale of the people. By the same token, as it is conscious of growing strength and popular support, it acquires a capacity to accept reasonable compromises which its leaders know must eventually come from both sides.
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