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FOR THE PRESIDENT FROM BUNKER (Saigon 25643)

Herewith my forty-eighth weekly message:

A. General

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 National Liberation Front, insistence on the freedom and territorial integrity of South Vietnam, 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 communique 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 Vietnam. Prime Minister Loc's speech, which I have mentioned, is generally positive in tone. He noted that Thieu is trying to carry out the promises made at Manila, referring to the establishment of constitutional government and the

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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 Vietnamese Government performance "Vietnam 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 the northern First 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 the Second Corps, it appears the major effort may be made around the Kontum area. In the Third Corps area, the Fifth, Ninth, and Seventh enemy divisions have been regrouped in an arc to the north, northeast, and northwest of Saigon. Intelligence reports from both the First Corps and from a high level defector in the Third 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 Vietnam, 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 para-military establishment means in comparative terms. If we take our pre-Tet estimate that 67 percent of the total South Vietnam 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. When this call-up is completed, there will be a total of about 918,000 men under arms, on a comparative basis equivalent to over 16 million for the U. S. For an underdeveloped country, this seems to me a highly creditable performance and should be an answer to uninformed critics who maintain that Vietnam is not carrying a full share of the effort.

Change in government. 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 Joint General Staff, 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 [REDACTED] (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.

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 Government of Vietnam agencies which they monitor; their conclusions will reportedly be embodied in 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.

B. Political

Party formation. 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, [REDACTED] which 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 clearcut 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 free democratic force organizational activity and support in some provinces, particularly in the Second and Third Corps. One report indicates that provincial leaders of many persuasions -- including Cao Dai, Vietnam Quoc Dan Dang, Dai Viets, and An Quang Buddhists -- are involved in free democratic force organizations in Phu Yen and Khanh Hoa. We have other reports of successful free democratic force 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 free democratic force to develop some genuine grass roots support. It is also evident that the free democratic force 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 free democratic force.

The free democratic force does not have impressive leadership at the national level. Its behind-the-scenes organizer, Nguyen Van Huong, 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 free democratic force 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 free democratic force 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 free democratic force 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 free democratic force, 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.

Assembly developments. 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.

Recovery program. 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 Government of Vietnam, 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 the First 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 U. S. AID contracts with transporters and Vietnamese Government Ministries use the barges, leaves at the end of the week.

Traffic is back practically to normal in the First and Second Corps. It is running 90-100 percent of normal on most Third Corps roads and 50 percent on waterways. In the Fourth Corps, heretofore the biggest problem area, traffic is almost normal except 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.

C. Pacification

Though pacification is 99 percent Government of Vietnam business, no top level body or individual guides pacification on the Government of Vietnam side, as is the case on the U. S. side. As a result, Government of Vietnam pacification policy develops slowly and insufficient follow-up takes place. President Thieu heads an inter-Ministerial group called the Central Revolutionary Development Council, 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 Central Revolutionary Development Council by having it meet weekly under the President's personal direction. Thieu probably understands pacification better than any senior Government of Vietnam official (he acted as Secretary-General to a forerunner of the Central Revolutionary Development Council). He has a clear concept of how to achieve territorial security -- the backbone of any effective pacification program. As we do, Thieu sees the Regional and Popular Forces as the key to territorial security though so long as insufficient Regional and Popular Forces are available, regular Army of the Republic of Vietnam 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 Viet Cong for the countryside," especially before negotiations might fix opposing forces in place.

But the Government of Vietnam 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 Government of Vietnam to make these the first targets of specific operations to show the people that the Government of Vietnam 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.

D. Economic

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

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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. Government of Vietnam-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 "frictionally 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 Government of Vietnam 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.