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Wednesday, June 28, 1967

FOR THE PRESIDENT FROM BUNKER (Saigon, 29059)

Herewith my ninth weekly telegram:

A. General

The half-way mark in 1967 coinciding as it does with the completion of two years of the present government and with the approaching elections may mark a good time to attempt to cast up a balance sheet of developments here. We shall be doing this in detail during the visit of Secretary McNamara and Under Secretary Katzenbach next week. This is obviously a difficult and complicated undertaking involving many questions of judgment and some imponderables. I thought it might be worth while, however, if I were to attempt a summary of the more important elements relative to the present situation and prospects ahead as I and others here see them.

The military situation has greatly improved. The North Vietnamese Army has not won a single major victory in the South, on the contrary has suffered even heavier losses on the battlefield. At home, much of their infrastructure has been damaged or destroyed, half of their aircraft destroyed, an estimated half million people diverted to repair of war damage, and the movement of men and supplies made infinitely more difficult. Food shortages have developed. It seems apparent that physically and materially the country has been badly hurt.

By contrast, South Vietnam has made substantial progress in a good many ways. On the political front, there has been a stable government for two years, a Constituent Assembly has been elected, a Constitution drafted and promulgated, village and hamlet elections held and Presidential and Congressional elections scheduled for September and October.

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Inflationary pressures are severe, but these have been kept under reasonably good control. While prices have gone up, food supplies are ample.

Vietnamese Armed Forces are being steadily improved and in many instances have turned in excellent performances.

Pacification is gaining some momentum.

Defections to the Government of Vietnam under the Chieu Hoi program are running at nearly twice the 1966 rate.

There are other aspects of the picture, however, which must be considered. While the enemy offensive has been blunted, it has not been eliminated. Infiltration continues from the North at an estimated rate of 6,500 a month. Hanoi's determination does not seem to have been seriously affected by the severe physical punishment it has taken. Indeed, there is one school of thought which holds that North Vietnam is determined to continue the struggle with the expectation that we will eventually tire of carrying the heavy burden involved in our effort. There is apparently no present indication of Hanoi's desire to enter into negotiations. And it seems quite possible that the Soviets and Communist China may have some kind of open end commitment to keep North Vietnam supplied with weapons and materiel.

On the South Vietnamese side, there are also problems.

With two military Presidential candidates, there is danger that the Armed Forces will become politically involved and diverted from the essential task of fighting the war.

As far as the electoral process itself is concerned, Ky's arbitrary use of censorship and General Loan's activities have been subject to widespread criticism. Serious doubt has been cast on the possibility of holding honest elections.

Although the ARVN/Regional Forces/Popular Forces have been greatly improved, there is still a long way to go. Leadership, ability to cope with guerrilla warfare, and security are areas in which there are still substantial deficiencies.

This is especially true of the ARVN/Regional Forces/Popular Forces involvement in the pacification program. The crux of the program is adequate Vietnamese motivation and involvement, for pacification in the final analysis must be done by the Vietnamese. No matter how efficient the organization of our role in pacification may be, without Vietnamese carrying the main burden, the program cannot succeed.

This is true not only of pacification but of all the other aspects of the effort here -- military, economic, political, and social. Lack of involvement and motivation are evident in the apathy, inertia, widespread corruption and incompetence one finds in many areas of the civil administration.

In this connection, I believe that we lack adequate means of finding out what the Vietnamese people are really thinking and what their aspirations are. There is no fully adequate opinion-taking organization here, such as we had in the Dominican situation. I believe this is a serious deficiency for we ought to know more about what the Vietnamese are thinking, especially the 55 percent to 60 percent of the population which lives outside of the cities. However, from soundings throughout the country, security and social justice, especially getting rid of corruption, seem to be highest on the list. There is obviously great deficiency in both.

While there is much work still to be done on many counts and many obstacles to overcome, it seems to me that we should continue to concentrate on our main priority objectives. I believe these to be:

A. A vigorous, imaginative and flexible prosecution of the war within acceptable limits. Here, as I have stated previously in another telegram, it seems to me that the crux of our military problem is how to choke off North Vietnamese infiltration. I believe ways can be found to do this effectively and that we should pursue this matter with the utmost urgency.

B. Through free and honest elections establishment of a broadly-based, stable, functioning Constitutional Government. It will require constant vigilance on our part to see that electoral procedures are kept free and honest; and that the fact of their being

so is credible. There is fortunately evidence now that our pressures on Ky in this respect are beginning to have some effect.

C. An expedited pacification program which will win the allegiance of the Vietnamese people including the Viet Cong, and which offers them the opportunity to become part of the social fabric of the country.

D. Reorientation of the mission of the Vietnamese Armed Forces and their revitalization with increased emphasis on improvement and quality.

E. The optimum use of available manpower. This study is already under way under Ambassador Locke. We have discussed some of the problems including the need of mobilization after the elections with Thieu and Ky. We have found them both receptive and understanding of the need to move ahead on this vitally important matter.

F. Economic stability and development. Economic stability will depend on our ability to restrain the inflationary pressures. Economic development is an essential means to political progress especially as it affects the more than half of the Vietnamese who live in the villages and the hamlets. Production can be increased through imaginative and carefully conceived programs, despite the war. Looking to the longer run, it seems to me that the work of the Lilienthal group in planning long-range economic development is both important and hopeful. I doubt if there is any better political weapon than involving the Vietnamese people in their own development, to let the people themselves plan and carry out activities through which they can increase their incomes and improve their lives.

There is obviously much work still to do. Balancing out the pluses and minuses, however, I find none of the latter insuperable. The Vietnamese are intelligent, hard-working, and if properly guided, encouraged and well-led can perform effectively. I believe that we are making steady progress and are gradually achieving our aims in Vietnam. If we stick with it and reinforce the success already achieved, I am confident that we shall come out very well in the end.

B. Political

I am glad to be able to report that Prime Minister Ky is taking some actions to counter the impression the coming elections will not be fair and free.

In talking to the press on June 22 and 23, Ky stressed his intention to provide equal facilities for all candidates. He said that he will reserve seats for them on all Air Vietnam flights so that they can get about the country freely during the campaign. He also said that he plans to call all of the candidates together on July 1 so that they can discuss their campaign needs.

On June 26 the Government released to the press the text of an order to Corps Commanders, Province Chiefs and Mayors concerning the conduct of the elections. The order says in part that the authorities must concentrate on carrying out a democratic election "in freedom, fairness and legality." Earlier, on June 22, the Saigon radio carried the text of a speech by General Thang in which Thang urged a graduating class of Revolutionary Development cadre to work for absolutely fair and free elections.

Today, Ky opened a four-day seminar on the elections which will be attended by all Province Chiefs, Mayors, and other officials who will be involved in the conduct of the elections. He took up the three themes of getting the vote out, assuring security for the elections, and providing for free and impartial elections.

I believe that Ky's actions are in part a response to my expressions of concern to him that the elections be conducted fairly. I have impressed on him the fact that newspaper stories about a rigged election create serious problems for us at home, and that pressure from the foreign press was mounting; and that truly free elections are essential if the new government is to enjoy the confidence of the Vietnamese people and thus have the political strength to deal effectively with Communist political attacks.

Ky's efforts are also a reaction to domestic pressures. Whatever his motive, Thieu has spoken out strongly on the need for clean elections. Probably encouraged by Thieu's remarks, the National Assembly on June 24 released a resolution

calling on the government to abolish censorship and observe the basic guarantees of freedom of expression written into the Constitution. The Assembly resolution was the product of a spirited debate which revolved around the question of freedom of the press during the election period. In the Government's own appointed advisory body, the Peoples Army Council, the question of the conduct of the elections was debated on June 24. One member presented a list of recommendations designed to insure clean elections. His proposals included a request for U.N. observers, abolition of censorship, and heavy penalties for officials involved in election fraud.

Ky's statements are welcome but are in themselves not sufficient. While he has improved the government image somewhat, I doubt that he has yet persuaded many Vietnamese or foreign reporters that he will really carry out a free and honest election. The test will be what he does rather than what he says. Much will depend on how well his promise of equal facilities is carried out. The role of General Loan and the Police will also be very important in determining the final Vietnamese estimate of this election.

I will be watching developments in this area very closely, and we will continue to study ways in which the honesty of the elections can be both insured and demonstrated. We will continue to press the government to take the necessary measures. I should add that, although the crucial tests remain ahead, I believe the public airing of this issue represents progress. Ky has made public commitments and all parties have faced the issue squarely. There is public Vietnamese pressure on the government to conduct fair elections, and that kind of pressure is probably at least as effective as anything we can say to Ky.

Both Thieu and Ky announced their Vice Presidential running mates this week. Thieu will run with Trinh Quoc Khanh, one of the leaders of a Hoa Hao splinter group. Ky has chosen the Chairman of the Peoples Army Council (PAC), Nguyen Van Loc, as his Vice Presidential candidate.

Khanh is a 54-year old Southerner, who has been involved with several political groups, including the pro-"struggle"

Front of All Religions. He has not been politically prominent or successful to date and probably will bring very little strength to Thieu's ticket.

As Chairman of the PAC and a well-known lawyer, the 45-year old Loc is somewhat more distinguished than Khanh, but probably does not have much more voter appeal. He has no significant political following. He is a Southerner from the Delta and was educated in Paris.

Not only Thieu and Ky but also Ha Thuc Ky and Tran Van Huong have surprised us by their choice of at least relatively weak running mates. Of the major candidates, only Phan Khac Suu can be said to have materially strengthened his Presidential bid by his choice of a Vice Presidential candidate. Critics of the military candidates are already saying that they were unable to persuade any more attractive leaders to run with them. The fact that Ha Thuc Ky and Tran Van Huong have done no better suggests to me, however, that the office itself is not very attractive. The Constitution provides the Vice President with no very important functions, and in the case of the death of the President, the Vice President succeeds to the office only until new elections can be held.

Thieu and Huong both filed for the election this week, but Prime Minister Ky has not yet done so. We now have a total of nine tickets formally in the race, with the prospect of at least a few more filing before the deadline of June 30. While some will likely withdraw before the election, it now appears that there will be as many as a dozen Presidential candidates on the ballot. I am afraid that this abundance of candidates increases the chances of the winner having a rather unimpressive percent of the total vote cast.

I learned yesterday that Big Minh, the General who overthrew Diem and served briefly as Chief of State after the 1963 coup d'etat, has announced in Bangkok that he wants to run for President. According to the report we have, Big Minh held a press conference in which he complained that he is being denied his Constitutional right to return to Vietnam and enter the Presidential race. General Pham Xuam told an Embassy officer that some of

the Generals held a meeting yesterday morning to discuss what would be done about Big Minh's request for permission to return to Vietnam. According to Chieu, both Thieu and Ky voted against allowing Big Minh to come home.

Big Minh's return could become a hot issue if any of the major candidates decided to support his request. The reaction of the principal civilian candidates is not yet known. While Thieu might see some possible advantage in his return, Thieu and Ky probably both consider him a major threat to their own ambitions. Big Minh's return would, in my opinion, be likely to further divide and confuse the military at a time when there is already a threat of serious divisions among them. There are, of course, Constitutional and other factors involved and we will be giving them consideration in terms of our own position.

While the Presidential race holds the center of the stage, there is also feverish activity to put together Senate lists. If the caliber of Vice Presidential candidates is rather disappointing, there is plenty of political sparkle among the Senatorial contenders. As of yesterday, six Senate lists had filed (there are ten candidates on each list), and we know of a large number of other slates in process of formation. Included are leaders such as retired General Tran Van Don (formerly Minister of Defense and one of the leading generals who overthrew Diem), Foreign Minister Tran Van Do, civilian Directorate member Tran Van An, Saigon Mayor Van Van Cua, Industry Minister La Thanh Nghe, Diem's Minister of Defense Tran Trung Dung, leading economist Vu Quoc Thuc (who is working with Lilienthal), and Diem's Assembly Chairman Tran Van Lam. A number of leading Assembly Deputies are also in the race, including the leader of the largest bloc, Le Phuoc Sang. One list is composed entirely of Saigon journalists.

Foreign Minister Do was asked to run with Thieu for the office of Vice President, and at one point he seemed likely to agree. He also seemed to be on the verge of resigning from the Government, since he has been increasingly outspoken against Ky. Yesterday, however, he informed us that he has decided to run for the Senate and will remain in the government until the election. Do has cooperated very closely with us in the past, and he is widely respected senior leader whose resignation would have created political as well as administrative problems for Ky. I am sure Secretary

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Rusk's warm personal message to him must have influenced him significantly in his final decision. I hope his decision to stay on in the government until the election is final.

An encouraging development this week was the successful convening of a Montagnard congress to draft the statute particulier (a decree providing special rights and privileges for this backward minority group). The Congress was the result of a May 2 agreement between the rebel Fulro tribal leader Y Bham and the Second Corps Commander Vinh Loc. In that agreement, Y Bham promised to bring his several thousand armed men out of exile in Cambodia and cooperate with the Government against the Viet Cong once the statute was written and promulgated.

Although Y Bham did not participate in the Congress himself, he designated a ten-man Fulro delegation. The leader of the delegation served as the Vice Chairman of the drafting committee and signed the draft statute on behalf of the Fulro delegation. Once the statute is promulgated (and Vinh Loc told an Embassy officer that Ky has promised to promulgate it "at once"), Y Bham should come out of exile. (We are not certain he will do so, but there is now good reason to hope he will.)

Ky presided over the closing ceremony of the Congress and made a quite effective bid for the Montagnard vote in the process. He told the over 200 delegates, mostly Montagnards, that he agreed with their recommendations and would carry them out. He also promised to raise the level of the Special Commissariat for Highland Affairs (the Montagnard office in the central government) to the level of a Ministry. There are some hints that Ky intends to make the rebel leader Y Bham the Minister for Montagnard Affairs, a further gesture that would not only win Montagnard votes, but would also go far to bridge the political differences between the Montagnards and the government.

Probably the most important factor in recent progress toward a political resolution of the Fulro problem and increased impetus on Montagnard welfare is the coming elections. Ky's bid for the Montagnard vote has almost certainly moved the government to take the necessary measures in this field much more rapidly than would otherwise have been the case. This is one of the side benefits of a democratic system which Vietnam is beginning to feel.

There has been no progress this week toward a resolution of the Thieu-Ky rivalry. Our senior advisors to the Corps Commanders report that the Commanders are deeply concerned by this problem and its effect on military unity. They seem to feel that the matter will be resolved, however, and I suppose that it may still be possible for Ky and Thieu to work out their differences in a face-to-face encounter. I am not sanguine of this, however. While continuing to press for such a resolution, I also intend to concentrate on minimizing the effects of the Thieu-Ky split on the government and the military establishment.

The Assembly is now working on the Electoral Law for the Lower House, and the Deputies have voted to hold the Lower House elections on November 5. The date favored by the Directorate was early October, and there was some discussion of October 15. As we saw in the case of the Senate and Presidential elections, the question of the date is not necessarily final after the Assembly has voted, however.

Although the coming elections dominated the news this week, it was second as a subject of editorial comment to the Red Chinese hydrogen bomb. Tieng Van speculated on the reasons for the test: to prove that the Red Chinese nuclear area is still under Mao's control; to raise its prestige in Arab countries "at the moment Russia betrays them and works with the U.S. to settle the Mid-East hostilities"; and to reassure Ho that he can count on the support of a nuclear arsenal.

Thoi The was in general agreement with this view, and added that it provided "good reason for U.S. hawks to push for an all-out confrontation with Peking before it becomes a nuclear power and threatens world peace."

Tan Van Khoai Bao (a Chinese daily) drew a parallel between Mao's exhausting the nation's resources to join the nuclear club with Emperor Hsin Hsh Huang's efforts to build the Great Wall, and saw a "toughening of the Red Chinese attitude toward both the U.S. and the U.S.S.R."

The press also took up editorially the issue of censorship. In one of the most open, sharpest attacks against censorship, Dan Chung pointed its finger at Major Tran Van An,

Director of the Information Ministry Press Service, for insinuating that a paper can obtain ample newsprint "if the journalists comply with his directives." The paper called this a "brazen attitude," said Major An does not deserve to hold the job he does, and that he is misapplying the press policy advocated by Prime Minister Ky.

Referring to a recent statement by Premier Ky that he couldn't be exercising press censorship because he allows clandestine papers to circulate, Tu Do said that this type of paper is a phenomenon of underdeveloped countries which lack press freedom. The best way to stifle these clandestine papers, Tu Do continued, is not to apprehend the editors but to have a free press so that the calumnies and irresponsible rumors spread by the illegal press will be denounced by well-informed public opinion.

C. Economic

For the third week the Saigon Retail Price Index showed a slight decline, dropping during this reporting period from 269 to 267. This is one percent below the level of one month ago and 18.5 percent above the level at the beginning of the year. Imported commodities moved up slightly, from 219 to 220. In the First Corps, Viet Cong harassment of Route One caused continued shortages of kerosenes and gasoline in Hue.

Chief of State Thieu signed a decree effecting reforms in corporation tax collection. The decree places corporations on a "pay as you go" basis and provides for an accelerated schedule of payment.

D. Administration

On June 12, Prime Minister Ky issued a decree establishing a Central Management Office which will be responsible directly to the Prime Minister. The office was created to provide leadership to all government agencies in management improvement efforts and systems-analyses services. It should prove especially important in the transition from military to civilian government.

Nine senior Government of Vietnam officials have been assigned to the office and then are scheduled to visit Asian countries and/or the U.S. to observe similar set-ups.

Our public administration advisors report that a management survey program was recently conducted by the Central Committee for administrative improvement at the office of the Prime Minister. It resulted in a 60 percent reduction in mail flow to the Prime Minister with the concurrent abolishment of 20 positions, the increased use and relocation of the Central Library, and the establishment of the position of Press Secretary to the Prime Minister. Other actions included the establishment of: a Special Assistant to the Prime Minister for Public Administration, a Bureau of Coordination and Review at the Prime Minister's office, twelve sub-committees for administrative improvement within various Ministries, and direct advisors in the Prime Minister's office to the Minister of Justice and the Secretaries for War Veterans, Health, Education, and Civil Service, and the Special Commissioner for Administration.

E. Chieu Hoi

The number of returnees remained low this week as compared with the early part of the year. The total for the week of June 11 - 17 was 474. This may be compared with 373 for the same period last year. The total to date for 1967 is 17,134; last year at this time the total stood at 9,252.

Our Chieu Hoi personnel believe that the drop in returnees from the impressive level of February and March is due in part to reduced military activity and in part to the approach of the elections. In the past, major political events have caused a reduction in the number of returnees. In the case of elections, this is because of administrative slowdowns when government personnel are concentrating on election work and also because of a "wait-and-see" reaction by the Viet Cong.

F. Vietnamese Killed

During the week ending June 24, the enemy killed 47 Vietnamese civilians, wounded 89 and kidnapped 135. The dead

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included 2 National Police officers, 13 Revolutionary Development workers, 2 Village Chiefs, and 2 Hamlet Chiefs.

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