

Thursday, July 13, 1967
10:00 a. m.

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MR. PRESIDENT:

Herewith Amb. Bunker's briefing --
with all the scope, balance, lucidity
about priorities and tasks we would expect.

Pres file

W. W. R.

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covering
(Remarks by Amb. Bunker, with 7/10/67/ltr to WWR)

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Saigon, Viet-Nam
July 10, 1967

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Dear Walt:

I am enclosing a couple of copies of the statement I made at the opening of our briefing sessions for Bob McNamara, Nick Katzenbach, and their colleagues. In it I have tried to pull together and put into perspective what seemed to me the more important elements of the situation here as an introduction to the more detailed briefings which followed. I have tried to give a realistic appraisal of the situation as I see it. As I said in my last week's message to the President, if we stick with it here I am optimistic that we shall come out very well in the end.

But there is much work still to be done. While I am optimistic I also want to be realistic for unless I am I cannot properly serve the President or you and those who have the greatest measure of responsibility for the objectives we are trying to achieve here.

Although it is rather long I thought you might be interested in seeing it, and if the President has time he may be interested also in having a look at it.

Best regards always,

Sincerely,

Ellsworth Bunker

The Honorable W. W. Rostow
Special Assistant to the President
The White House

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By DLW NARA Date 2-25-92

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By Johnnie NARA, Date 2-25-92

REMARKS BY AMBASSADOR BUNKER

SECRETARY MC NAMARA, SECRETARY KATZENBACH, GENTLEMEN:

I want to welcome you to Viet-Nam and to say that we are very happy that you have been able to come here. I must confess that having been here barely more than two months I address you with some hesitation. I think Secretary McNamara and perhaps some others have had more total time in Viet-Nam than I and therefore I'm doubly pleased (and I know that I speak for Ambassador Locke and Ambassador Komer also) to have the opportunity to exchange ideas and views and to have the benefit of your wise counsel. One of the great benefits of a meeting such as this, I think, is the fact that it enables us to take the long view, to try to distinguish the forest from the trees, to appraise what progress we may have made, where we have gone wrong and to plan for the future.

In this connection for example it is very important that we hear from you Washington's assessment of recent developments in China as they may affect our operations, and any further views you may bring of the talks between President Johnson and Kosygin and their import for Soviet strategy here.

I take it there is general agreement as to what our objectives are here but it may be helpful to recall them as we begin our discussions. They include:

1. A just, durable and honorable peace through negotiations leading to a political settlement acceptable to the United States, the GVN, Hanoi and NLF/VC;

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2. A chance for the Vietnamese people to choose freely the form of government under which they wish to live;
3. To help them build their own political institutions and develop a viable economy;
4. To make credible our obligations under the Charter of the UN and SEATO to resist aggression;
5. Eventually to develop regional organizations through which the Southeast Asian countries can carry on joint undertakings in economic development and mutual cooperation.

The question to ask ourselves then is how far have we progressed toward achieving these objectives, and what course should we now pursue which will assure ultimate success.

The difficulties and complexities of the problems we have faced and still face I think are obvious. We are engaged in fighting a limited war, for limited objectives and with limited resources. With our Vietnamese allies we are locked in a bitter and savage struggle with an enemy determined, disciplined, well equipped and resourceful. In the midst of war we are advising and supporting the Vietnamese in their effort to carry out a social revolution. This social revolution has sometimes been called "the other war." I confess that I dislike the term. To me this is all one war having many aspects but all part of a whole and all of them important and essential in achieving a successful conclusion. The term social revolution takes in a good deal of territory,

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including as it does the whole range of economic, political and social activities. Yet a substantial measure of success in all these areas is indispensable to the winning of the war. Without it a military victory would be meaningless, indeed I doubt whether it would be possible.

This brings me to a consideration of one of the factors which has a direct and vital bearing on the pace and progress of the struggle in which we are engaged. This has to do with Vietnamese capabilities and performance. Our advisory and supporting role, both military and in every other way, is obviously indispensable. Certainly we can prevent and indeed have prevented the Vietnamese from losing the war but they must in the end win it themselves. When we say this we come face to face with a problem which we find in all the developing countries but here perhaps in a more acute form because here we find a small country engaged in a bitter struggle for survival and at the same time trying to carry out a political and social transformation. What we run up against is the fact that there is a relatively thin crust of managerial and organizational talent. Indispensable additional personnel have to be trained as we go along.

We cannot expect the same degree of competence, proficiency or speed from the Vietnamese that we can demand of ourselves. This

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often becomes frustrating and requires the exercise of infinite patience. It requires an effort, difficult for a Westerner, to fathom the subtleties of the Asian mind, for the standards and yardsticks which seem important to us are not necessarily so to the Asian. If we would avoid disappointment, therefore, I believe that realism demands that we should be selective in assigning priorities to those programs and projects we deem to be most important of accomplishment. In this connection there are a number of things which my present thinking would lead me to believe should receive top priority. These are:

1. A vigorous, imaginative and flexible prosecution of the war within acceptable limits.
2. Through free and honest elections establishing a broadly based stable, functioning, constitutional government.
3. 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.
4. Reorientation of the mission of the Vietnamese Armed Forces and their revitalization with increased emphasis on improvement and quality.

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5. The optimum use of available manpower.
6. Economic stability and development.

Since all of these matters will be covered in considerable detail by those who follow me I shall make only a few general observations in order to provide some perspective for the subsequent briefings.

Progress of the War

In a series of splendidly executed offensive operations undertaken by General Westmoreland since late April in which a total of over 12,000 of the enemy have been killed in action, the enemy has been kept off balance and his time schedule has been disrupted. It seems apparent that the main effort of the enemy to achieve his summer campaign objectives has been postponed from May at least until July. General Westmoreland's strategy of anticipating enemy threats has paid off handsomely and is one which he intends to continue in view of what he foresees as an intensification of enemy attempts to achieve his summer campaign objectives.

An encouraging element of these recent operations has been evidence of increased effectiveness of the Vietnamese Armed Forces. In a number of heavy engagements throughout the country ARVN units have turned in highly creditable performances. They contributed

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materially to the success of the initial operations in the DMZ, killing 342 enemy with a loss of only 31 of their own forces. In a total of 14 other operations in the I Corps area during the past six weeks, ARVN units accounted for 1,400 enemy killed in action. In the II Corps area they also have given a good account of themselves and recently in the Delta area of IV Corps conducted a highly successful operation. I believe that where the ARVN is weakest, however, is in their pacification role where motivation and performance still leave much to be desired. Here, of course, the Regional and Popular Forces are also important elements and all are getting increased attention. While ARVN morale and performance have been improving there is evidence that that of the VC has been declining. It has had increasing difficulties in recruiting and a growing share of the enemy war effort is being assumed by Hanoi.

The enemy's offensive thrust has been blunted but not eliminated. Enemy pressures (from two and possibly three Divisions) continues along the DMZ. Infiltration through Laos continues steadily and the use of Laotian and Cambodian sanctuaries gives the enemy great and, to my mind, unwarranted advantages. It seems to me apparent therefore that the ~~crux of our~~ military problem is how to choke off NVN infiltration. If ways can be found to do this effectively, it should have at least the following advantages:

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a) It would drastically reduce the dimensions of our problem in South Viet-Nam. Militarily we would be dealing only with the Viet Cong whose problems of recruitment and supplies would be enormously multiplied lacking the assistance and reinforcements of North Viet-Nam. I believe the result would be that the Viet Cong would eventually wither on the vine.

b) When the infiltration is choked off, it should be possible to suspend bombings at least for a period and thereby determine whether there is substance to the statement in many quarters that Hanoi would then come to negotiations; we should at least call their bluff.

c) Tensions now existing between the U. S. and Viet-Nam on the one side and Cambodia on the other should be, over a period of time, relieved and our relations with Cambodia improved, even though initially Sihanouk might continue to allow the NVA/VC to use Cambodia as a haven and a source of certain supplies.

The means to be employed to achieve this objective, of course, present many difficult and delicate problems, both military and political. I have confidence, however, that with imagination and ingenuity these can be met. What is involved, of course, are operations within Laos but I do not believe this fact should present insuperable

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obstacles. The North Vietnamese Government is a signatory to the 1962 Geneva Accords but its forces have been in Laos both before and since the signing of the Agreements. It is now using Laos as the main route for infiltration into South Viet-Nam. Is it not logical and reasonable, therefore, that South Vietnamese troops should oppose and combat North Vietnamese offensive action by whatever method can be devised in order to prevent the invasion of their country? Guarantees, of course, would have to be given to the Lao Government by the South Vietnamese, and I believe should be underwritten by us, that Vietnamese troops were on Lao territory for defensive purposes only and would be withdrawn immediately when peace is secured. The operation, especially in its preparatory stages, should be carried out with as much security and secrecy as possible. I have made some recommendations as to methods we might use to achieve these objectives. This is a matter which I believe we should pursue with the utmost concentration.

The Constitutional Process

The first observation I would make is that the evolution of the constitutional process and pacification taken together seem to me

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equally as important as the military effort in winning the war.

If we can succeed in establishing a stable, functioning, constitutional government here it will speak louder than anything we can say or do to demonstrate to the Viet Cong and to North Viet-Nam that South Viet-Nam is here to stay, that the Viet Cong can adhere to a government under which their rights are protected by the Constitution and that they can become integrated into the social structure of the country.

Our objective, of course, is to see that the elections are free, fair, and honest and that there should result from the elections a broadly based and stable constitutional government which would include both civilian and military representation. Both Thieu and Ky before they agreed on a joint ticket, indicated their intentions, if elected, to include in the government as broad a political spectrum as possible. Both have since repeated to me their determination to do this, Thieu expressing the view that at most three Cabinet posts should be held by the military. Ky has said, "What the country needs is not a strong man, but a strong regime."

There has also been some discussion behind the scenes of post-election cooperation between the major slates, and this is a development we will encourage. As always the problem here is

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to make deeds fit words. A further and primary objective is to see that the unity of the Armed Forces, the only real power base in the country, is maintained.

The threat to the unity of the Armed Forces posed by the Thieu-Ky candidacies has been eliminated, for the present at least, by the decisions taken at the meetings of the Armed Forces Council June 28-30. An encouraging fact is the way in which the agreement was reached. Although we had constantly brought the problem to the attention of both Thieu and Ky recalling their commitments made at Guam, we had been trying to lead them along to work out their own solutions. We felt that if they could do this, it would be good for them and good for us. In the end the Vietnamese dealt with the problem entirely by themselves and in doing so displayed an encouraging degree of maturity.

A combined Thieu-Ky presidential ticket while achieving one objective raises certain other problems. It means that a military ticket will be competing with civilian tickets thus underlining the issue of military versus civilian rule.

In the weeks leading up to the Thieu-Ky merger Ky alarmed many of the civilian candidates by his campaign tactics. Pressures were applied through censorship, through the withholding of permits for newspapers and by means of General Loan's activities through

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the MSS and National Police. The result was consternation in the civilian camps and growing public doubt here and abroad that it would be possible to hold honest elections. I made very clear to Ky our view of the fundamental importance of seeing that the elections are free and honest, and he has taken some steps to undo the damage. Thieu is also on public record as repeatedly speaking out for completely free and honest elections and he reiterated this to me on July 1. Even so, the alliance of Thieu and Ky will make it more difficult for the military slate to convince the public here and abroad that they really intend to insure clean elections.

A new and complicating factor in the election picture is the candidacy of General Duong van Minh, better known as "Big Minh". As the leading General in the coup against Diem, Minh has genuine popularity in South Viet-Nam, but his return would very likely again threaten military unity. The Armed Forces Council has announced that it will not allow Big Minh to come home before the election. He has filed for the Presidential race in *absentia*, however, and in the preliminary consideration of his application, the National Assembly ruled that his dossier was in order. We have been keeping a hands-off attitude on this question so far.

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This whole electoral process will, therefore, have to have our close attention until the elections are concluded. It is my hope that it may be possible to persuade all of the candidates to state publicly that they will accept the verdict of the electorate and will support whatever government emerges as the result of fair and free elections.

Pacification

If we succeed in pacification there will be nothing left for the North Vietnamese to support here, we simply cut the ground from under their feet. It is essential therefore that the process of pacification should be speeded up. It is for this reason that I considered it advisable after consulting with Ambassador Locke, General Westmoreland, and Ambassador Komer to unify our advisory and supporting effort, placing the responsibility for our role on General Westmoreland with Ambassador Komer as his Deputy for Pacification. Instead of having what in effect were two parallel organizations, we now have a unique merging of the civil-military effort which I feel will result in a more efficient and effective organization. In addition to greater efficiency, I am confident that we shall secure economies in this vitally important part of our activities here. Here again, as in so many areas,

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pacification cannot be accomplished by us alone. The major part of it has to be done by the Vietnamese and we meet the same problems we find in other areas of lack of depth in managerial talent and motivation. Patience, persuasion and prodding and leverage where we can use it are all essential. Ambassador Komor and his colleagues will give a comprehensive briefing both on the new organizational setup and on the present status of RD in Viet-Nam.

The Vietnamese Armed Forces

Yet if we are to succeed in pacification, continuous security of the villages and hamlets is essential. This can only be provided through the reorientation, motivation and improvement in quality and performance of the Vietnamese Armed Forces.

General Westmoreland has already submitted to me a very thorough and comprehensive report on programs designed to achieve these objectives. The report together with his recommendations covering not only activities already underway but also proposals for future actions is comprehensive and thorough. It is worthy of careful study and I hope that we shall have an opportunity to examine it in some

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detail during your visit. I would like to refer to only one aspect that seems to be extremely promising because it is related also to the manpower problem which I have listed among our top priorities.

This is the experimentation of various forms of integrated US/RVNAF operations such as the combined action concept (CAC) initiated by the Marine Corps; a "buddy system" in which a U. S. Army battalion is paired off with an ARVN battalion all the way down to squad level; a system in which an ARVN company is attached to a U. S. Army battalion; and the "combined lightning teams" in which a U. S. squad and an ARVN squad will pair with a Popular Force platoon.

The intent of all this experimentation is to raise the level of training and effectiveness of the ARVN/RF/PF units and to practice the principle of economy of forces for the U. S. units. I believe it offers great promise on both counts. As a result of these experiments it is contemplated that a basic concept for integrated operations will be prepared and put into effect.

While literally hundreds of actions are underway to improve the performance of ARVN/RF/PF bearing on both the immediate present and the longer term, much remains to be done, particularly with the Regional Forces and Popular Forces. Nevertheless the payoff of many

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of these improved programs is already being felt in many areas.

- a) The number of desertions has dropped to a little over one-third of what it was a year ago.
- b) The number of missing in action has dropped to one-half of what it was in early 1966.
- c) The trend of weapons lost has been reversed. In early 1966 ARVN/RF/PF lost more than twice the number captured. The ratio is now the exact opposite.
- d) In large unit operations ARVN is making more enemy contacts although fewer total operations are run.
- e) In small unit operations the ARVN/RF/PF rate of enemy contacts has risen by thirty percent. These are encouraging signs.

Manpower

None of these objectives I have mentioned can be achieved without the optimum use of manpower. I have asked Ambassador Locke therefore to take in hand the study of the manpower problem and to make a report and recommendations on this vitally important subject. I have a feeling that we are being driven inevitably to the conclusion that mobilization will be necessary. This is obviously a politically sensitive matter and we are all agreed that it cannot be tackled until after elections. But I believe we must prepare now to move promptly

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as soon as the political situation permits. We have had an opportunity to talk with Chairman Thieu and Prime Minister Ky together about the need for the maximum employment of Vietnamese manpower as an absolute pre-condition to the dispatch of anymore U. S. or Free World troops and have impressed upon them that we believe mobilization will be essential to achieve this. We have found acquiescence on their part and agreement on at least a preliminary step in administratively extending the service of members of the Armed Forces. They have also agreed that the question of the reduction in the draft age and mobilization should be taken up promptly after the elections by the new government.

A number of steps have already suggested themselves such as the hiring of Vietnamese personnel by MACV for non-combat work. Another possibility is that RMK employees might continue to be used instead of Army engineers or construction battalions. Third country nationals, and there may be some 5,000 in the country at the present time, would provide another small manpower pool.

Economic Situation

I would like to comment briefly on the economic situation. During two years of rapid build up of U. S. forces, the economy has adjusted

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as well as could reasonably be expected. Though inflationary pressures are severe, price increases over the last year have moderated.

Indeed our economic strategy of the last year has proved to be sound. Massive imports coupled with port improvement have held import prices constant for twelve months. Tight ceilings on U. S. piaster expenditures have held down U. S. spending pressure on the economy. The devaluation of a year ago brought a sharp reduction in the increase of the money supply. During the first six months of this year money supply increased at only half the rate of 1965 and 1966. Prices are up about 50 percent over the last year, a 25 percent increase immediately following devaluation last June and a further 25 percent in early 1967 as rice prices were increased to give the Vietnamese farmer a better price for his rice. I believe this represents a good performance considering the fact that we and the GVN are now utilizing one-half of all the resources, i. e. GNP, of Viet-Nam. This is equivalent to the situation in the U. S. in 1944 when our economy was under severe pressure.

I would emphasize that the resources of the economy are already fully used. In November we spoke of a ten billion piaster inflationary gap for 1967. Now it is running at 25 billion piasters for this year. We must hold the line.

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In particular, it is essential that we review all our spending programs to make certain that we shall achieve our priority objectives. If we want to add new high priority programs we may have to make some painful decisions on where we can cut back programs and spending. We are preparing a contingency plan for such an eventuality.

But apart from keeping excessive price increases away from our door, I wonder whether we have concentrated enough on using economic development as a means to political progress. The urban population is clearly better off today, I am told, than two years ago. But what about the slightly more than half of the Vietnamese who live in the villages and hamlets?

I would emphasize two points. First, by an imaginative and carefully conceived program, production can and must be substantially increased despite the war. The Vietnamese have proven that they respond willingly to monetary incentives. Increased production would not only help solve the economic stabilization problem by adding to the resources of the economy, it would convince the rice farmers that they could get a square deal from the central government. In dealing with skeptical farmers this is surely the best form of politics. Already there

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has been dramatic progress in vegetable production. And in rice the recent sharp increase in farm prices has set the stage for hopefully arresting the decline in production. But in pork and other areas there is great need for imaginative programs and close follow up with the GVN.

We will have more to say later about our plans for a Village Council Development Program in villages where local elections have been held. This can be a significant development - an outgrowth of the Constitution and the return to local self-government - which can have great importance for achieving permanent pacification of the countryside. Unfortunately, results of the work of regular GVN ministries to bring public services to the people in rural areas while improving continues to be disappointing. They are still short of adequately trained personnel. They lack sufficient experience and necessary bureaucratic competence to provide these services efficiently to rural localities. Their leadership still continues to give first consideration to the needs of urban areas.

In any case, the efforts of national ministries to bring adequate and timely government services to the rural people will not be wholly successful until the rural people are involved in their own development and working actively with the government. Under the new Constitution this will be possible. Rural development is

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not a luxury to be enjoyed in spite of the war; it must be achieved to win the war.

I want to make special mention of developments in land reform. You will recall Prime Minister Ky reported at Guam that he had issued some 45,000 permanent titles to approximately 100,000 hectares of land as of February, 1967. Since then, he has issued another 70,266 titles to 136,578 hectares. He has also re-issued in his own name an earlier promulgated instruction -- not a formal decree, but an instruction -- defining rights to lands allocated by the Viet Cong, and preventing the collection of rents and taxes accruing during Viet Cong domination. He has added to that earlier instruction a provision prohibiting the collection of rents by the military. This represents progress, but we consider it inadequate, especially with respect to the redistribution of land liberated from the Viet Cong. As a general proposition, the GVN is still without a satisfactory national land reform policy and the administration of existing reforms is laborious.

The Stanford Research Institute is about to commence a rapid study to permit formulation of a responsive national land reform policy. Also, the U. S. Army Corps of Engineers has since March been proceeding with its two year project to achieve a technological breakthrough in land title description through photogrammetry.

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Looking to the longer run, it seems to me that we have much to gain by fully supporting the Lilenthal group in working for long range economic development. Vietnamese hopes must rise when they talk and see pictures of their future -- new fertilizer plants, refineries, and extensive water control systems in the Delta. These people need dreams to lure them on to a vista beyond this never ending war. These are sensible dreams. We should do all we can today to launch such projects and planning.

I suggest there is no better political weapon than that of getting the Vietnamese involved in their own development, to let the people themselves plan and carry out the development activities through which they can increase their incomes and improve their lives.

Negotiations and Settlement

The feasibility of some form of coalition government between the GVN and elements of the NLF as a means to a settlement with Viet Cong/NLF is at least in part a question of timing. Certainly until the GVN completes the present constitutional process and consolidates its popular support, it will remain a relatively fragile structure. Any action by the U. S. to press for a coalition solution during this period could seriously jeopardize the ability of the government to survive. In our opinion the Viet Cong, despite the setbacks they have suffered,

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remain militarily and politically capable of exploiting any coalition arrangement to the detriment of the GVN. Therefore such an arrangement is unacceptable to the GVN and ourselves for the present.

This does not suggest a passive stance toward GVN bilateral discussions with the NLF. The GVN, while rejecting parity with the NLF, has stated it is willing at any time to talk with the Front. We can continue to urge the GVN to take the initiative and exploit this approach through public indications of willingness to talk and through implementation of the national reconciliation program within South Viet-Nam.

Also basic to consideration of a coalition solution is the nature of the Viet Cong/NLF as basically an expression of Hanoi's power. This political reality will underlie GVN attitudes regardless of increased efforts from whatever source to have the Front accepted in its guise as a separate, indigenous southern movement. We believe that the Front is today even less representative as a southern nationalist insurgency than it was in 1965. The following factors support this: political-military control by northern general in COSVN, continued use of North Vietnamese Army regulars in integral units as well as on VC staffs; and the clear dominance of the People's Revolutionary Party, which captured documents reveal is organizationally

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an extension of the Hanoi Lao Dong Party, over the non-party apparatus of the Front.

This does not mean that the Viet Cong, principally the NLF component, contains no disparities in political attitudes from the North Vietnamese. The composition of the Viet Cong remains predominantly southern, and interrogations of former VC show there is a strong orientation of southern regionalism within all ranks. However, these manifestations of separate political identity, while well worth exploitation, do not appear so organized as to offer serious alternatives to Party decisions at this time. In matters of basic policy and organizational allegiance in the Viet Cong we believe the voice of the Lao Dong from Hanoi is the dominant factor.

Under these conditions it is difficult to foresee this political-military cohesiveness with Hanoi being weakened to the point in the near future where the Viet Cong would desire or be capable of entering a coalition through negotiations independent of Hanoi. However, this does not foreclose the possibility of splitting off ~~high level leaders~~ of the insurgency which would result in direct psychological and political advantages to the U. S.

Our current assessment is that Hanoi's stance is one of determined

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inflexibility until the situation moves more clearly in favor of one side or the other.

Under these conditions, Hanoi may consider the next six to ten months a critical time of testing of wills. The period coincides with the monsoon season most favorable to the VC militarily. With the electoral pressures in South Viet-Nam followed by the pre-electoral period in the U. S. with its mounting pressures for resolution of the Viet-Nam conflict, Hanoi may be set to hold on in the expectation that we cannot significantly curb infiltration or destroy the VC's military and political capability in the South. It will continue to press for bombing

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suspension and seems convinced that it is on a good wicket internationally on this question. We expect that any flexibility shown by Hanoi will be tactical, as was the slight softening on initiation of talks announced January 28. The Four Points will remain the basis of the North's and the VC/Front's negotiating position and their objective will continue to be to prevent talks which would lead to confirmation, legally and with guarantees, of separate North and South Viet-Nams.

There are many indications that the VC are having growing difficulty recruiting, and maintenance of Communist force levels in the South is more and more dependent on input of NVA troops. In effect the role of the NVA is becoming increasingly vital in continuation of the Communist war effort in the South. An inescapable conclusion is that effective physical means for ending infiltration of men and supplies from the North must be found in order to reduce the size of the problem in the South to manageable proportions. I have already referred to the primary importance I place on this; I believe we should give it the highest priority.

Achievement of this objective would in turn enable us to face the North with substantially greater pressure to negotiate. Maintenance of the war effort in the South would become an almost impossible problem for them logically. We would be in a position to cease bombing, at least experimentally, to give Hanoi a chance to make good on its claim

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that negotiations could then begin, or to demonstrate that it is a bluff.

Frustrated in its efforts to press the war in the South, the incentive should then be great for Hanoi to accept negotiations looking toward the establishment of two Viet-Nams effectively guaranteed against aggression and subversion -- in effect a return to the 1954 Accords.

Conclusion

Casting up a balance sheet is obviously a difficult and complicated undertaking involving as it does many factors, questions of judgment, and some imponderables.

I think no one would deny that we have come a long way in the last two years. That certainly is the opinion of all my colleagues in the Diplomatic Corps who have observed developments here much longer than I.

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 heavy 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.

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By contrast South Viet-Nam 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.

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 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 Viet-Nam is determined to continue the struggle with the expectation that we will eventually tire of carrying the heavy burden involved in our effort.

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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 Viet-Nam supplied with weapons and materiel.

On the South Vietnamese side there are also problems.

The Thieu-Ky candidacy sharpened the issue of military versus civilian rule.

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 ARVN/RF/PF 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/RF/PF 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.

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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 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.

There is much work still to be done on many counts and many obstacles to overcome. Balancing out the pluses and minuses, however, I believe none of the latter are insuperable. The Vietnamese are intelligent, hardworking and if properly guided, encouraged and well led can perform effectively. We have had a good measure of success and

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I believe that we are gradually achieving our aims in Viet-Nam. If we stick with it long enough -- and this is not a short term proposition -- I am confident that we shall have reasonable success in achieving our objectives.

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