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INFORMATION

~~SECRET~~

Wednesday, November 8, 1967
7:05 p.m.

Per file

Mr. President:

Herewith Amb. Bunker's latest,
with key passages marked.

W. W. Rostow

Saigon 10641

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E.O. 12356, Sec. 3.4(b)

White House Guidelines, Feb. 24, 1983

By kg, NARA, Date 11-22-91

WWRostow:rln

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Wednesday, November 8, 1967

FOR THE PRESIDENT FROM BUNKER (Saigon 10641)

Herewith my twenty-eighth weekly telegram:

A. General

In the aftermath of the elections, the inauguration, and National Day, a rather general feeling prevails that hopefully a new era is beginning in South Vietnam. This has been reflected in comments in the press that a new historic period is opening and in urging all the people "from the battlefield to the rear" to join together in renewed effort. Pride has been expressed that a popularly elected government with a constitution guaranteeing democratic freedoms for the entire people has come into being; and confidence has been expressed that the Second Republic would be able to instill enthusiasm in the whole people for their nation-building work and for the struggle against Communist aggression.

Among the voters there was a feeling of pride tinged with some skepticism; they had turned out in large numbers and had done their job, now it was time to see whether the newly elected candidates could do theirs.

The intense activity that preceded the inauguration of the President and Vice President and the installation of the Lower House of the Assembly last week has been followed by a noticeable slowing of the pace of political activity this week. This has been chiefly concentrated in the efforts of the new Prime Minister to form his government and in the organization of the Senate, and in efforts by Thieu and Ky to marshal support for the government among members of both Houses of the Assembly. Loc told me yesterday that he had completed his Cabinet list and that announcement would be made November 9, which apparently is an auspicious day. I hope to be informed of the identities of the new Cabinet members when I see President Thieu later today.

The Assembly is continuing its work on organization and has completed Part I governing the organization of the Upper House and is continuing its work on regulations and procedures. It is hoped that the entire rules which may include as many as 200 articles can be completed in another two weeks.

In the meantime, there are a number of forward steps that have been taken by the government, some of which I have previously reported:

1. The decree covering partial mobilization;
2. The decree transferring collection of land taxes to the local governments;

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3. Stepping up of the moves against corruption;

4. The process of selection and screening of new personnel for the positions of Province and Deputy Province Chiefs who would be responsible to the central government instead of to the Corps Commanders. Ky informed me yesterday that great care has been taken in the process of selection and screening, that he expected to have this completed by the end of this month, and that he hoped to have the new personnel trained and installed by February 1.

The transfer of power to collect land taxes to the local communities is a long step forward toward the revitalization of local government. I have urged on both Thieu and Ky that having done this, the next logical step would be to transfer the control of land reform to the Village Councils. I believe that this could be done through the issuance of an ordinance and I have given them a draft of an ordinance which we had prepared. Both expressed interest in the proposal and I shall be following up with them.

Another matter which I have discussed with them and shall be continuing to talk with them about with considerable urgency is the question of the forthcoming budget and economic stabilization. I have reported that Ky had informed me that a ceiling of 95 billion piasters had been established for next year's budget. Since then, however, an increase in military and police pay to take effect January 1, 1968, has been announced and yesterday Nguyen Huu Hanh, Governor of the National Bank, expressed to me doubt that the budget could be held below 100 billion piasters. In this connection, I have expressed to both Thieu and Ky our view that it is absolutely essential that taxes be increased. I have left with them a memorandum proposing an increase in petroleum, oil, and lubricant taxes which in our view would be the easiest and quickest way to raise additional revenue. Yesterday, however, Hanh expressed to me the view that other taxes, especially import tariffs, should be increased and the tax collection system must be further improved. If these things were done, he felt that the gap between revenue and expenditures could be held to 15 billion piasters.

In a talk with Ky yesterday, I found him in a good mood and was encouraged to see that he has now focused on moving ahead with vital government programs which hopefully will bring early and constructive results. I also have the impression both from his comments and from sources near Thieu that they are both keeping more closely in touch on development of political support for the government.

Ky commented at some length on what his major concerns will be in the new government. The anti-corruption program would be one. He noted that in the Third Corps alone, some 75 officials have been removed for corruption this year. Ky also plans to devote a good deal of his time to pacification and coordination in this field among Generals Thang, Vien, and Tri, and he will personally spend a good deal of his time in the provinces, examining the situation. Ky said he was worried about the generally poor conditions under which the Republic of

Vietnam Armed Forces operate, citing problems of inadequate pay, difficulties in getting food, etc., observing that something needed to be done for them but the Government of Vietnam simply didn't have the money.

I told Ky I had no official instructions yet regarding a possible standdown over the forthcoming holiday periods but would like to know his personal views, since he had been so intimately involved in the matter last year. Ky said he thought we should agree to have a standdown, preferably 24 hours for Christmas, 24 hours for New Year's, and 48 hours for Tet. Since these are traditional holidays, he thought it important that we take the initiative rather than let Hanoi or the Viet Cong get the benefit of it.

President Thieu has prepared a draft top priority program and a national policy statement covering a short-term and a long-term program, respectively. They are still not final and may be subject to further review and change before they are made public, presumably at about the same time as the announcement of the formation of the Cabinet. Texts of these drafts were transmitted in previous reports. The top priority program covers matters touched on in general terms in President Thieu's inaugural address on October 31, but they are presented in pithy and direct language. The program calls for:

1. Demonstrating readiness for negotiations by concrete actions, "such as direct contacts with Hanoi and resorting to mediation by other countries." At the same time, an increased effort will be made to convince world opinion of the justice of the nationalist cause.
2. Protecting good morality in society by concentrating "recreation areas far from the population" (sic). "All forms of debauchery and violations of morality must be repressed . . ."
3. Halting further price increases and regularizing the supply of goods.
4. Reinforcing order and national discipline.
5. Encouraging school children, students, and civil servants to take part in civic action projects and putting their abilities to work in the service of the nation.

The program is quite ambitious and covers matters such as No. 2 above which have been the object of government action in many countries throughout history, without any noticeable effect on the situation. The reference to locating "recreation areas far from the population" may be an indirect reference to the allegedly demoralizing influence of American forces in urban areas of Vietnam, which has been referred to on a number of occasions recently in the Saigon press.

I might add that I think the behaviour of the American forces here has been very good indeed, but there has been a perhaps inevitable increase in prostitution and relating establishments, and this may be the basis of the concern expressed in President Thieu's program. The item on "halting further price increases and regularizing the supply of goods" is a matter in which we have been deeply concerned.

The national policy statement is a much more detailed, longer-range program. In effect it contains all the elements in the "democracy, peace, and social justice" program which we gave President Thieu in September. The order in which the elements are presented is different from our draft, and they are appropriately restated in the Vietnamese manner. The principal points in the program are as follows:

1. Part I - National Policy

a. The Vietnamese people have forcefully demonstrated their desire to live under a democratic regime and have expressed this will in the constitution.

b. The Communist war of aggression is a dangerous menace to Vietnamese democracy.

c. We will demonstrate our good will to end the war by peaceful means. But the Republic of Vietnam will stand up against any form of aggression.

(However, President Thieu has added the point that "in the context of a negotiation with North Vietnam, we will not regard the Front for the Liberation of South Vietnam as a political party, for the simple reason that it is truly an instrument for aggression by the Communist North in particular and by international Communism in general. We will gladly welcome those who have adopted the wrong way and decided to come back. That is the open arms policy that we have started long ago and will always continue to implement.")

d. Building of democracy and reformation of society to carry out the national policy of Revolutionary Development and to develop the nation in the economic, education, and social fields.

2. Part II - Guidelines for Actions

a. Restoring peace. Making a greater effort in the field of foreign affairs. Strengthening our armed forces. Improving mass motivations that strengthen the people's determination to fight Communism in North and South Vietnam. Reaffirming the elements of a national conciliation program.

b. Building democracy. Completing the democratic institutions provided for in the constitution. Carrying out elections of city mayors, decentralizing power to the local level, guaranteeing democratic freedoms.

c. Reforming society. Proclaiming a state policy of rural reconstruction. Maximizing industrial production. Increasing the effort in the financial field to improve tax collections. Developing programs for rebuilding the cities. Developing and expanding cultural and educational programs. Devoting particular interest to programs aimed at training youth to serve the nation. Developing the public health service to protect the people's health.

This is even more ambitious a program than the top priority program described above. Moreover, the major portions of it will require legislation which will have to be approved by the National Assembly. While the Upper House will probably be reasonably receptive to the main lines of President Thieu's programs, we do not have as clear a view of the situation in the Lower House. This will be discussed more fully in the political section below. On the other hand, it is not without value to set one's sights fairly high, particularly in a country in the condition of South Vietnam, since the people need to see evidence that the government is concerned about their problems in a number of areas. The top priority program and the national policy paper certainly express this concern.

General Gavin left Saigon November 8 after a week's visit to Vietnam. General Westmoreland, who has known General Gavin for years, made up a very comprehensive program of briefings and visits to the major areas of South Vietnam. In addition, he received a Civil Operations for Revolutionary Development briefing and spent an hour and a half with Bob Komer November 6. General Gavin had also met with some of the resident American correspondents here, including some of the most critical ones, so there will be no basis for any possible complaints of "brainwashing". I had General Gavin for lunch on November 1 and saw him again yesterday. He also saw Thieu for about an hour, and Ky briefly. He seemed pleased with the program that was worked out for him and seemed impressed with the quality of the American military units he visited. However, he was very non-committal on his overall impressions.

In a statement he left for the press, he noted that he had been exposed to both civilian and military problems during his visit. He concluded, "There are numerous problems in Vietnam and, as the press well knows, it takes time to come to precise conclusions regarding them. A statement to the press at this time would be premature."

B. Military

There were two military actions of particular interest which came to a point of development during the past week. Early in the morning of October 29, elements of the 273rd Viet Cong Regiment initiated a mortar attack on Loc Ninh District in Northern Binh Long Province, about 13 kilometers south of the Cambodian border. The mortar barrage was followed by a heavy ground attack, with the enemy troops firing small arms and B-40 rockets against the defending force of three Civilian Irregular Defense Group Companies, a Regional Force Company, and a Popular Force Platoon. The ground attack penetrated the outer perimeter of the compound, but Civilian Irregular Defense Group and Army of the Republic of Vietnam reinforcements arrived, and the Viet Cong were expelled. Sporadic contact continued throughout the day until the enemy broke contact in the afternoon, leaving behind 148 dead. Scattered contacts continued in the same area October 30, and early in the morning of October 31, a second major mortar and ground attack was launched by the Viet Cong against the sub-section compound in Loc Ninh District. This attack was also repulsed, and from the three-day contact with Vietnamese forces, the Viet Cong lost 371 killed and a large amount of weapons and material lost. In follow-up operations in the same area by U. S. forces, up to November 4 the Viet Cong lost an additional 369 killed.

Shortly after midnight on the morning of October 27, the 89th North Vietnamese Regiment attacked the command post of the 3rd Battalion, 9th Army of the Republic of Vietnam Infantry Regiment, near Song Be, Phuoc Long Province, following a barrage of more than 200 rounds of mortar and recoilless rifle fire. Three waves of North Vietnamese troops, whose total strength was about 800-1000, assaulted the perimeter of the Army of the Republic of Vietnam Battalion but were thrown back by the defenders, who numbered less than 200. The results of this action clearly demonstrated the fighting spirit of the Army of the Republic of Vietnam troops when properly armed and led. The enemy suffered 134 killed and lost 27 individual and 20 crew-served weapons. Friendly losses were 13 killed, including six Army of the Republic of Vietnam troops and seven civilian laborers.

However, in a subsequent action on November 5, only a short distance from the scene of the victorious engagement of October 27 near Song Be, described above, the enemy killed 87 Army of the Republic of Vietnam 5th Division and Ranger troops, plus nine members of a hard labor battalion. Thirty-three Army of the Republic of Vietnam were wounded, and 25 Army of the Republic of Vietnam troops are missing. In addition, 23 carbines, 24 rifles, and six crew-served weapons were lost to the enemy. Fifteen enemy troops were killed. General Westmoreland considers this one of the Army of the Republic of Vietnam's most serious defeats in several months. This engagement further underlines, in a negative sense, the importance of good troop leadership.

C. Political

I have reported in the General section on progress in the organization of the Senate.

The Lower House meets November 8 in its first working session to begin in the process of organization, adoption of rules, and ultimately, election of a permanent Chairman.

We were encouraged to learn from my conversation with Vice President Ky on November 7, as confirmed by President Thieu's brother, Nguyen Van Kieu, to the political counselor the same day, that Thieu and Ky seem to be working more closely together to assemble a bloc of perhaps as many as 80 members of the 137-member Lower House to support the government's programs in the Lower House. Ky claims to have some 50 members already. In the Upper House, the picture of support for the government is even better, with the likelihood that at least 40 and perhaps even 50 of the 60 Senators will be inclined to support the government programs.

Vice President Ky had some interesting remarks to make to me on November 7 on the structure of future political parties. He said he thought the future parties should come out of the National Assembly and out of the grass roots, rather than be imposed by the government, as happened during the Diem Administration. President Thieu expressed similar views to me on November 4, indicating that some of the Senate lists might form the nucleus of a pro-government party. Ky also said that Senator Tran Van Don had asked him to head the party which Don is in the process of forming, but Ky said he had refused.

There have been several North Vietnamese developments of interest, although they imply no change on the issue of war and peace. There were four changes in the North Vietnamese Cabinet and three changes at high levels of the North Vietnamese government, largely focusing on the economic sector and on the system of military justice. The switches appear to be organizational and administrative rather than political and seem to be aimed at improving the management of the severely-strained North Vietnamese economy. It is particularly noteworthy that all the Democratic Republic of Vietnam governmental changes in the past year (in November, 1966 and February, 1967) have involved economic and financial positions and almost the same individuals, reflecting continuing and unresolved difficulties in these areas.

The First Secretary of the Communist Lao Dong Party in North Vietnam, Le Duan, led the North Vietnamese delegation to the celebration of the Fiftieth Anniversary of the Communist Revolution. Neither the speech Le Duan gave in Moscow November 3 during the Joint Meeting of the Communist Party Central Committee and Supreme Soviet, nor the article he authorized that appeared in the Hanoi Party Daily Nha Dan the same day contained any departures from well-established North Vietnamese positions. He balanced praise for the Soviet Union

with praise for the "Communist Revolution of the 700 million-strong Chinese people" in a typical North Vietnamese balancing act.

The concern we felt over the interruption of the convoys up the Mekong River to Cambodia was relieved November 3 when a convoy of our general cargo ships, two petroleum tankers, and one other vessel proceeded upriver to Phnom Penh. River traffic had been interrupted since October 16. The Vietnamese resentment of certain Cambodian actions remains, however.

There has been comparative quiet on the Buddhist front the past week. I say "comparative" advisedly, for one of the extremist An Quang leaders, Thich Ho Giac, delivered a fairly inflammatory sermon November 4 in which he praised the five Buddhists who have committed suicide by fire since September 1 for having "struggled for the restoration of the Buddhist Church's sovereignty of its legal status, and for its right of life." Thich Ho Giac may be excused in part for his remarks, for he was reacting to remarks attributed to the moderate leader, Thich Tam Chau, in the press, quoting him as saying, "If they want to die, I will give them coffins, but they cannot scare anyone with their suicides." However, there have been no mass protests or demonstrations. There are indications that some of the moderate Buddhist laymen would like to see the principal Buddhist antagonists, Thich Tri Quang and Thich Tam Chau, leave the country in the interests of reconciliation. We were told November 7 that a Japanese Buddhist organization was considering inviting Thich Tri Quang to Japan, ostensibly for medical treatment. This would not be without its dangers, for Tri Quang has lost his public relations appeal with the local and for the press here in Saigon, whereas he would be a new newsworthy article in Japan. Moreover, from Japan he might travel elsewhere, including applying for a visa to enter the United States, where his views played out on television and in the press, would certainly be unhelpful to us. Nevertheless, the best answer to Tri Quang would be broad Buddhist reconciliation as a result of his departure from the local scene and Buddhist participation in the normal activities of the country, so the risk may well be worth running.

D. Economic

One of the sharpest rises in recent months was registered in the Saigon Retail Price Index for this week, moving up to 304 from last week's level of 290. Increases in food prices (including pork, fish, chicken, and vegetables) were mainly due to sabotage on Route 4 by the Viet Cong in the Mekong Delta prior to the inauguration and National Day. Heavy rains added to transport problems. Rises in the Index so far this year have been 35 percent.

In my meeting with President Thieu on November 4 I made a strong statement of our desire that the U.S. Government receive the full 118 piasters in exchange for dollars. I said we had been advised that the Board of Directors of the National Bank had determined that a commission payment of one-half of one percent must be collected on transactions involving purchase of piasters for U.S. military personnel as well as for official U.S. uses. I noted that when the 80 to one rate was in effect for official uses and the 118 to one rate for personnel purchases, the National Bank had waived the commission on both. I pointed out that the establishment of a lower rate for U.S. personnel and for U.S. official uses could have serious consequences on American opinion and on the American Congress. President Thieu said he was not familiar with the problem and would look into it.

In my meeting with President Thieu November 4 I also went into several outstanding civil aviation matters, including the status of the Caribou aircraft in Bangkok awaiting clearance from the Government of Vietnam for use by a U.S. contract agency in South Vietnam, French rights to overfly South Vietnam en route to communist China, and continental air services operating problems with the ministry of transport in fulfilling its contracts with U.S. contract agencies in South Vietnam. President Theieu smiled and said simply that the new Minister of Transport should be able to take care of the three pending problems.

E. Chieu Hoi

Returnees during the reporting period were 362, compared to 392 for the same period last year, and also below last week's figure of 452. The total number of returnees so far this year is 25,028.

F. Vietnamese Killed

During the week ending November 4 the enemy killed 111 Vietnamese civilians, wounded 236, and kidnapped 45. Among the dead were 23 Revolutionary Development workers, 20 national police, two Hamlet Chiefs, and one member of a Village Council. During the week the enemy killed 160 Vietnamese military personnel.