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Thursday, May 9, 1968

Mr. President:

Herewith a capsule of Bunker's 50th weekly report:

Pres. file

A. General

- Agreement on Paris accepted without enthusiasm.
- GVN feels it should be viewed as major participant in talks.
- GVN reconciled to presence of NLF at talks on Hanoi's side.
- With withdrawal of NVN troops and with international guarantees, GVN would accept "one man, one vote."
- We must keep GVN fully and frankly informed.

B. Military

- Widespread attacks aimed at bolstering enemy position in Paris.
- Allies were prepared for attacks, which have been unimpressive.
- We should contrast our peace efforts with VC attacks.

C. Government Actions

- Thieu plans small war cabinet with Huong as Prime Minister.
- Government to be broadened with important political figures.
- Police Commander Loan to be shifted.
- Decree signed setting up Ky's civil defense machinery.

D. Pacification

- Few pacification losses during recent attacks.
- Kommer outlines pacification priorities to Thieu.
- More province and district chiefs to be replaced.

E. Mobilization

- Present draft mobilization bill could hurt pacification.
- U.S. urges mobilization cover all paramilitary forces.

F. Urban Recovery

- Thieu's directive spurs better resettlement results.

G. Economic

- Most food supplies still ample in Saigon despite attacks.
- Rice trade remains abnormally low.

White House, Washington, D.C., May 9, 1968
by [initials], 10:00 A.M., Date 6-5-92

W. W. R.

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Thursday, May 9, 1968

FOR THE PRESIDENT FROM BUNKER (Saigon 26826)

Herewith my fiftieth weekly message:

A. General

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

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

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

Some concern was also expressed on two points regarding the "no advantage" formula:

1. How violations of the formula could be ascertained and established; and
2. Concern that with the current high rate of infiltration, the enemy would derive major military advantages from delay in agreeing on a site and a stringing out of preliminary talks.

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By Wesley, NAR

On the first point, I think we were able to convince them that with continuing reconnaissance and our combined intelligence resources, we should be able to ascertain any violations. On the second point, I pointed out that with the DMZ foreclosed as an avenue of infiltration, with the monsoon in Laos now breaking, and with continued interdiction of infiltration routes through Laos, infiltration should be substantially reduced.

On the matter of substantive talks, "participation" is a highly sensitive problem. It is apparent that for domestic political reasons, the question of their own legitimacy, and the impression created abroad, the Government of Vietnam places great importance on being publicly recognized as the major participant on "our side". While I believe that essentially we are both talking about an "our side, your side" formula, which is not too precisely defined, the Government is less concerned about procedures than about their being accepted as a spokesman on "our side" to whom Hanoi must listen and talk. They seem reconciled to the National Liberation Front being present and speaking under a formula in which one side would be Saigon and its friends (which they understand to be the U. S. representing all other allies) and the other side would be Hanoi and whomever it chooses.

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

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

B. Military Situation

A widespread attack against some 126 cities and towns which began on the night of May 4-5 is clearly an attempt by the enemy to bolster its position at Paris. From a military point of view, most of the attacks are quite unimpressive. Except for Saigon and areas in the First Corps north of Dong Ha and around Hue, the attacks

have been with a few rockets and mortars which did little damage. As you know, we have had good advance intelligence, some of it from a high level defector, which indicated that the attacks would come about this time. Since there was no element of surprise, the people were ready and did not panic. Not long ago, Thieu said to me that the enemy would try to exert pressure about the time talks began, and that in any case, the attacks could not be long delayed. A factor may have been evidence we have had of declining enemy morale among both troops and cadre since Tet. Another may have been the problem of supply, for we have been picking up very large caches of weapons and ammunition in widespread areas as well as capturing large numbers of individual and crew-served weapons. While it is true that a number of the enemy's main force elements have not been committed and that a substantial threat exists in the central highlands, it seems to me several things have been demonstrated by this recent effort. Our troops were alert, at full strength, and poised for any attack that might come. Secondly, was the fact that the enemy's effort was far below the level of Tet, that something went wrong with his coordination, and one may suspect his capability is not what it was. As in the beginning days of Tet, the enemy losses have been extremely heavy. From the beginning of the attack, May 4-5, until midnight May 8-9, he has lost 5,781 killed, compared to friendly losses of 804 (227 U.S., 609 Army of the Republic of Vietnam, 4 Free World).

In Saigon, most of the action has been in Cholon, and in the western and southern outskirts of the city in districts 6, 7, and 8. Here, the enemy is still holding on doggedly, engaging in terror tactics, and directing attacks at power plants. While the damage resulting from the new attacks is not yet fully known, and there will undoubtedly be more before the Viet Cong are fully routed, in comparison with the Tet offensive, it is so far quite light. Up to this morning, it is estimated that there are some 31,000 new evacuees, but a good many of these are reported already returning to their homes. A few hundred more Saigon homes have been destroyed, although there is as yet no accurate count. Elsewhere in the country, reports indicate still lighter damage since few attacks penetrated urban areas.

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

I think that what was said of the enemy's objectives in the Tet offensive can be said also of these attacks, that his main purpose has been to gain political and psychological advantage in order to strengthen his posture in negotiations. He hoped, I think, on the one hand through assassination and terror tactics and on the other through the effort to gain converts to the new "Alliance", to weaken further the political fabric of the Government of Vietnam, and to make psychological impact on opinion here and abroad. I think we must make a determined effort to see that the world understands the nature of the attacks, including the intention behind them, the terror tactics

employed, and the enemy failure on the ground. We should stress the fact that the enemy is deliberately trying to increase civilian casualties while we are trying to move toward peace; that on the contrary, if they persist in these tactics, they risk military retaliation.

C. Government Actions

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

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

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

D. Pacification

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

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

While agreeing that the Government's pacification concepts and policies are sound, Komer pointed out that the program was lagging badly because of inadequate machinery for carrying it out. He proposed that the Central Revolutionary Development Council, which now meets infrequently, be revivified to provide top level impetus and follow up. Similar problems exist at corps and province level.

Thieu assured us that he is working on leadership problems; that very soon many more Province and District Chiefs would be replaced.

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

Mobilization. Commendable initiative by the Government of Vietnam to move rapidly ahead with general mobilization is not without serious side effects. The latest Assembly version of the draft mobilization bill could cause serious trouble for the pacification program and impair the effective functioning of the government. Drafting all men under 21 would mean losing 7,100 of the present 39,000 Revolutionary Development cadre, and 7,000 police. Prohibiting recruitment for Revolutionary Development cadre, police, and other paramilitary forces in the 21-34 age bracket would also create serious problems. We have, therefore, suggested to the Government, and I have urged on Thieu, that all military and paramilitary forces be covered in the mobilization, since the police, the Revolutionary Development cadre, the Civilian Irregular Defense Group, and the Provincial Reconnaissance Unit are just as actively engaged in fighting the common enemy and will prevent serious reshuffling and any disruption of the momentum of ongoing programs.

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

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

E. Economic

The economic picture has once again been dominated by Viet Cong activity. On Monday, May 6, retail prices rose 21 percent above their April 8 level; some tendency to buy and hoard staples such as rice was noted. Another sign of the uneasiness produced by Viet Cong harassment of the city was a jump in the price of gold. Supplies of most foodstuffs continue to be good. However, over the past weekend there was a Viet Cong attack on a Route 4 civilian convoy and also, more unusually, on barges moving through the delta. There is some current intervention of meat and vegetables to Saigon, but rice stocks are ample.

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

The rice trade has not returned to normal. Paddy prices continue to be low; white paddy is selling for about VN \$11 per kilo -- about 2 piasters less than a year ago at this time. Economic officers and rice merchants agree that the volume of paddy **purchases continues low. Flows of rice into Saigon are also subnormal; available data indicate that April rice deliveries were in the 22-25, 000 ton range.**