

THE WHITE HOUSE

SECRET/NODIS

WASHINGTON

Thursday, May 16, 1968

Mr. President:

Herewith a capsule of Bunker's 51st weekly report:

*Per file*A. General

- The enemy suffered a heavy setback militarily in his attack on Saigon, but he also demonstrated a considerable measure of success toward other objectives - his position at Paris and a show of his attack capability.
- Continuing destructive attacks could threaten all achievements.
- We should indicate attacks on cities - as well as high infiltration - cannot be carried out with impunity.
- Thieu overcame Ky's objections to Huong as Prime Minister.
- Thieu's decision not to change military commands is reassuring.
- People's reactions to negotiations vary.
- Civil defense program progressing: Ky outlines objectives on TV.
- Thieu, Ky and Do sensitive that US may be entering substantive talks without Vietnamese presence.

B. Political

- As yet no protection for civil administration in draft mobilization bill.
- Loc's good Assembly appearance will not alter proposed cabinet changes.
- Communists face difficulties selling their new "Alliance."
- Outside Saigon, public confidence has been improving.

C. Military

- Heaviest fighting in I Corps: partial withdrawal from A Shau under way.
- General Thang expects increased enemy activity in IV Corps.

D. Pacification

- Province programs virtually unscathed by third phase post-Tet attacks.
- Psychological impact of latest attacks weaker; pacification still slow-paced.

E. Urban Recovery

- Saigon damage adds to recovery problems; priority leadership required.
- Tet evacuee resettlement continues; total remaining drops to 388,000.
- Recovery commodities flow to countryside; rains spur participation.

F. Economic

- Little economic panic in Saigon, despite attacks and curtailment of traffic.
- After 25% rise, food prices dropping steadily as attacks diminish

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Authentic: NLQ/KBS/10

By: *W. W. R.*, Date: 6-5-92

Thursday, May 16, 1968

FOR THE PRESIDENT FROM BUNKER (Saigon 27497)

Herewith my fifty-first weekly message:

A. General

A number of significant events occurred during the past week:

The back of the enemy attack on Saigon has been broken and again he has suffered extremely heavy casualties. From the beginning of the attacks on the night of May 4-5 to midnight May 15, in the country as a whole the enemy lost 11,633 killed (more than half in the Saigon area) and well over 2,000 weapons. Friendly losses for the same period were 907 killed in action, 169 missing, and something over 300 weapons. The enemy clearly suffered a heavy setback militarily. But I think it is also clear that he had objectives other than military. One was an attempt to bolster his position at Paris and to impress American and world opinion with his ability to mount substantial campaigns against the cities and towns of South Vietnam. In shifting their strategy from the countryside to the cities, and especially Saigon, they are hoping by means of repeated attacks, raids, sabotage, shelling, and the destruction of more and more parts of the city to undermine the fabric of government and to produce the uprising that would destroy it. One cannot ignore the fact that in creating another 125,000 refugees or evacuees in Saigon and Gia Dinh and in the severe damage or destruction of another 16,000 houses (probably a conservative estimate), the enemy has had a considerable measure of success. In the recent attacks, except for the First Corps and Saigon, mostly by rocket and mortar fire, much of the enemy's main force has been uncommitted and he is, therefore, in a position to continue his harassing attacks. That he will continue to be defeated and suffer heavy losses, I have no doubt. But if he continues to create refugees, to destroy and damage houses and industrial plants, the question is how long this can be endured without threatening all that has been achieved here.

Hanoi, I think, is taking a calculated gamble, believing that our desire for peace and to deescalate the war is now so great that we cannot reverse this trend, that we will not dare to restore full bombing of the north or retaliate against Hanoi. It is for this reason that in my two messages this past week I urged that we not agree to cease our bombing of the north without specific commitments from Hanoi with respect to activity in the south. It seems to me we should make it clear that the attacks against Saigon and the cities, which are essentially attacks on civilians, are just as much "taking advantage" of the San Antonio Formula as the doubling of the rate of infiltration which has occurred since August-September, 1967, and the attacks on the demilitarized zone; and that these cannot be carried out with impunity and without fear of retribution.

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Thieu inaugurated a series of weekly radio and television speeches to the nation May 9. It was a good speech reviewing the impact of the recent attacks, noting the heavy casualties inflicted on the enemy, but also the damage and suffering caused by the Communists. He emphasized the fact that the enemy had increasingly resorted to sabotage, assassination, and indiscriminate shelling accompanied by considerable political activity. He congratulated the people and the armed forces for their performance during this new test of their courage and determination. He concluded his speech by expressing the hope that in his next address to the nation, probably this week, he would be able to speak to them on the subject of "reorganizing" the government.

In my talk with him on May 14, Thieu said that he was in the final stages of deciding on the new structure of the Cabinet and was examining with Tran Van Huong names for those to be replaced. He said that he had talked with Ky on the day before and had overcome his objections to Huong as Prime Minister. Thieu himself had canvassed the whole field and remarked that "the fact is there is no one to appoint Prime Minister except Huong". His decision not to make any change in the military commands is also reassuring. This presumably, for the present at least, will apply also to General Loan as Director-General of the National Police. In any case, it appears now doubtful that Loan will be able to resume his duties for some time. His leg wound is apparently serious enough to make it possible that some amputation may be necessary. Even if his leg is saved, he will lose some mobility and it seems unlikely that he can continue actively as police director. The circumstances under which this situation has developed are such as to avoid what might have been a source of friction between Thieu and Ky.

Concern over the subject of negotiations seems to be a countrywide subject in South Vietnam at present, linked, as it is, to the future of every South Vietnamese in the most direct way. Reports from various sources in the Second, Third, and the Fourth Corps, I think, give some general indications of how the average person is thinking. An observer from Gia Dinh Province in the Third Corps feels that the peace initiative has produced three divergent positions: In the first group are government officials, the military, wealthy businessmen, some educators, Catholics and those who came south after 1954. This group strongly opposes peace moves at this time, for it feels that the government is in no position to emerge from talks with results that will be acceptable; that the result of talks would see the formation of a coalition government with eventual takeover by the Communists. In the second group are low to middle income urban workers who were initially pleased with the prospects of peace, but now seem concerned about their economic future in a peacetime situation without the U. S. presence. In the third group are the peasants and farmers in rural areas without any political views or ideological beliefs who would welcome an early end to the fighting on practically any terms.

In the Second and Fourth Corps also, there seems to be evidence that the urban and rural poor want peace more than anything else and are not greatly concerned in the manner in which this might be achieved. There is, on the other hand, a growing body in the cities who have seen death and destruction all around them, who have

been outraged by the terror tactics of the Viet Cong, and who are increasingly apprehensive of any arrangement which would threaten to bring the Communists to power. In the rural areas also, although there is much bending with the wind, there is growing resentment at the enemy tactics of forced heavy taxation, of abduction, and assassination and terror.

A welcome development of this attitude has been the gathering momentum of the self-defense program throughout the country. In a radio and television speech on May 11, Vice President Ky outlined the objectives of the people's self-defense organization:

1. To mobilize the entire population;
2. To create a force in the rear areas to release the army for combat;
3. To strengthen the will of the people for defense of the nation's cause;
4. To create a people's force to strengthen the voice of the Republic of Vietnam at the conference table;
5. To permit the country to maintain a total war of an extended duration; and
6. To distribute the national potential rationally to permit it to fight and produce at the same time.

The students seem to have taken hold with a good deal of enthusiasm and have already been pressed into service in Saigon. [REDACTED]

[REDACTED] remarked that he thought the students were enthusiastic in participating in the defense of the capital and that if the Communists attack them or attempt to kidnap them, they will meet with strong opposition. A5

I have reported quite fully on our discussions with Thieu, Ky, and Dr. Tran Van Do on the subject of peace negotiations. They have been pleased with the two statements made by Ambassador Harriman. But at yesterday's meeting, I sensed some sensitivity on their part that we might be getting into substantive talks without their presence. I note that Ambassador Bui Diem expressed some similar fears in Paris. This continues to be a highly sensitive matter here and could be politically explosive.

B. Political

The Lower House completed action on a general mobilization bill on May 10, and the Upper House began discussion of it yesterday. The bill, as drafted, appears to give the government adequate authority to use decree power to issue the necessary implementing regulations, but the test of its effectiveness will come in the implementation of the law. So far, no regulations adequate to the protection of the civil administration and the functioning of the economy have been drafted. We have repeatedly called this to the attention of both Thieu and the Prime Minister, and both have agreed that it is important that this be done, but to date no effective action has been taken. This is in great part due to the fact that with the changes in government reported imminent, Ministers are reluctant to act. For this reason, not only

as it applies to mobilization, but as it affects the functioning of the entire government, I hope that Thieu will be able to make his proposed changes this week. In any case, there is bound to be some drag while the new Ministers are familiarizing themselves with their jobs.

On May 13, Prime Minister Loc appeared before the Upper House in the morning and the Lower House in the afternoon in answer to their request for interpellation and to report on the achievements of his government after six months in office. He commented at length on the government response to the Tet offensive, on the plans for general mobilization, on measures to improve the efficiency and honesty of the government, concluding by asserting the determination of the government to achieve "three national targets: to build democracy, to resolve the war, and to reform society." He took cognizance of the reports about changes in the government by saying that Cabinet changes or changes of personnel are necessary when the situation warrants them and that the Cabinet is ready for changes or for withdrawal when the interests of the nation require it. Loc handled questions well, but I think the performance as a whole is unlikely to change Thieu's view that a Cabinet change is necessary.

The "South Vietnam Alliance of National, Democratic, and Peace Forces" on which I reported two weeks ago has had less of an impact than appeared at first might be possible. I think there is little doubt that the Communists have been looking eagerly for "respectable" personalities to give the "Alliance" an appearance of legitimacy. I have the impression, however, that the Communists will have difficulty in maintaining any significant distinction between the National Liberation Front and the "Alliance" among most of the South Vietnamese public. There is, of course, no distinction and Radio Hanoi's constant attention to the "Alliance" will tend to underline this fact in the public mind.

Outside of Saigon, the mood of public confidence has grown steadily over the past weeks, as the work of recovery proceeds, the economy begins to revive, and the events of the Tet offensive fade from memory. The "second wave" offensive was largely directed at Saigon and most province and district capitals suffered from nothing more than a few mortar and rocket rounds.

C. Military

As the enemy elements in the Saigon area were being cleared up, the heaviest fighting this past week took place in northern First Corps. There was a major enemy thrust across the DMZ and considerable activity in the Khe Sanh plateau. Enemy activity continued around Hue and there was some shelling of the city. In the A Shau Valley, our forces met little resistance but continued to find caches of weapons and ammunition and also a large underground hospital. We are now withdrawing from the A Shau Valley, but will leave behind a roving guerrilla force and establish a 177MM artillery base within range of the valley. A few rockets were fired at Danang, but the fire was inaccurate and little damage was done. The Special Forces outpost at Kham Duc in Quang Tin Province was attacked and overrun

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in the early-morning hours of May 10. General Westmoreland had previously decided to withdraw forces before the attack took place. In the process, two C-130's and four helicopters were lost. One-hundred fifty Vietnamese dependents were killed in the loss of one of the C-130's. In Binh Dinh Province in the Second Corps, the 22nd Army of the Republic of Vietnam Division, the Regional and Popular Forces and the 173rd U. S. Airborne Brigade have been doing well. In Tuyen Duc and Lam Dong Provinces, the Army of the Republic of Vietnam suffered three bad ambushes.

I have already reported on the activities around Saigon in the Third Corps. In the Fourth Corps, the Vietnamese forces had two successful operations, one in Vinh Long Province, the other in Chau Duc. Ky told me yesterday that the Fourth Corps Commander, General Thang, reported that contacts with the enemy were getting more frequent and closer to the towns, and that he was looking for some stepped-up activity. He felt that this might come within a few days, perhaps around the 19th.

D. Pacification

Field reports from all 44 provinces indicate that pacification programs were hardly touched by the so-called "third phase" Viet Cong and North Vietnamese Army attacks. As a result, pacification activity in the countryside is proceeding at about the pre-attack pace -- slow but hopefully sure..

Our assessment shows that, in contrast to Tet offensive, only one battalion and one company were repositioned this time in defense of province and district capitals. Nationwide, the enemy overran only 16 outposts out of more than 4,000; at least 10 have been reoccupied already. Only six out of more than 700 Revolutionary Development or Truong Son teams were withdrawn from hamlets, in contrast to more than 300 teams withdrawn during the Tet offensive.

The psychological impact on the population also seems far less than the Tet offensive. The people were better prepared for the May attacks, the armed forces and police were at strength and on the alert, and the enemy attacks were much weaker. Excessive concern with security is not evident. However, damage in Saigon and Gia Dinh will present additional urban recovery problems.

All told, we are pleasantly surprised with the lack of impact on pacification from recent attacks, though still concerned with the relatively slow pace and lack of strong direction in the government pacification program.

E. Urban Recovery

Though the May attack does not present us with any nationwide urban recovery problem comparable to that after Tet, the damage in Saigon and Gia Dinh area was heavy. We estimate 90,000 refugees in Saigon and 35,000 in the area surrounding Saigon. Houses destroyed or severely damaged number about 9,500 in Saigon and

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6,000 in suburbs according to first, probably conservative estimates. Economic effects so far are minimal. Already 24-hour curfew imposed in parts of Saigon has been lifted to 1600-0900. Police are escorting commercial trucks into Saigon, rice prices are holding steady, but meat and vegetable prices have almost doubled as a result of scare buying and temporarily decreased supplies. At first, the government was inclined to try to handle this new recovery effort through normal ministerial channels. But we are recommending that the central recovery committee should take charge. Thieu will have to exert personal leadership if quick results are to be expected.

Meanwhile, resettlement of Tet evacuees continues. The number has dropped to 388,000 (versus 510,000 a week ago), as resettlement commodities and allowances are pumped out through provinces and districts that have finally gotten geared up. Rainy skies have given many families in temporary shelter incentive to reconstruct their homes. About 40 percent of the estimated million plus bags of cement and a million sheets of aluminum roofing have been distributed to families whose homes were more than 50 percent destroyed. Better than 90 percent of the total cement and roofing required has been delivered to provinces for local distribution. Nearly 100,000 tons of commodities have been released from Saigon and regional warehouses to assist Tet victims. With supplies on hand or due in South Vietnam ports shortly, we believe new attack victims can be handled in the same way as the 821,000 Tet evacuees.

F. Economic

Last week was one of great uneasiness for mission economists. The Viet Cong attacks on Saigon to a great extent fell across the city's main lifelines of food supply and commercial traffic. There was for a day or so active fighting in the Phu Lam area, where the main road from the delta enters Cholon, and along the Bien Hoa Highway, which channels all traffic from the north and east into the city. The 24-hour curfew imposed for several days in Cholon meant a complete stoppage of all commercial activity in that area and of traffic through it. Last but not least, the nearby fighting also put a stop to the operations of the municipal slaughter house nearby.

It is rather remarkable in view of all this that the Saigon population showed few signs of panic in its economic behavior. Households had apparently by and large foreseen emergencies, and in many cases had already laid in all the food they could stock. Therefore, though food prices rose about 25 percent during last week, these increases ceased as soon as the fighting moderated, and prices began to come back down at the beginning of this week.

Traffic from the delta into Cholon via Phu Lam has now been resumed, with convoys escorted into the city. Traffic from the north and east is being re-routed around the damaged Bien Hoa Bridge via old Route 1 without major delays. We expect that the city's commercial life will return to normal by next week, if further Viet Cong attacks do not occur. Economic conditions elsewhere in the country were affected only slightly by the fighting in Saigon.

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