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*Ref. 84-57*  
*by [unclear] MIRA, Date 3-5-92*

Thursday, May 23, 1968

Mr. President:

Herewith a capsule of Bunker's 52nd weekly report:

*Free file*A. General

- Loc Cabinet resigns and Huong accepts Prime Ministership.
- Thieu stated he would not replace Corps commanders nor tolerate regional discrimination.
- Huong seeks new cabinet representative of various regions and interest groups.
- Reaction to Huong's appointment generally good.
- Ky unhappy but there is no evidence he will try to obstruct the changes.
- Thieu feels VC/NVA are in no hurry for serious talks and the destruction of homes in cities could profoundly sap public morale.
- Thieu feels we should be careful our patience at Paris not considered weakness.
- VC building up own administration in countryside and creating new front groups.
- Morale problems among enemy increasing.

B. Political

- Upper House approves general mobilization bill.
- Lower House debates Paris talks; approves new press law.
- Thieu and Foreign Minister Don to be sole official GVN spokesmen on Paris talks.

C. Military

- General decrease in military activity except in I Corps.
- Enemy building pressure on Khe Sanh, Danang, Hue and Kontum.

D. Pacification

- Slow, steady recovery from serious Tet regression.
- Emphasis on hamlet security and destruction of VC infrastructure.

E. Urban Recovery

- May attacks generated 143,000 new refugees in Saigon/Cholon.
- GVN Central Recovery Committee and joint ARVN-US engineer task force aiding reconstruction efforts.

F. Economic

- Price index dropped 7% during week to level 25% above Tet.
- Semi-annual US-GVN discussions on economic issues.

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W. W. R.

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Thursday, May 23, 1968

FOR THE PRESIDENT FROM BUNKER (Saigon 28053)

Herewith my fifty-second weekly message:

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E.O. 12356, Sec. 3.4

NJ 84-57

By inf, NARA, Date 9-21-88

A. General

The last week was noteworthy for a number of items:

On May 18, President Thieu announced the resignation of the Loc Cabinet, his decision to reorganize the government, his invitation to Tran Van Huong to serve as Prime Minister, and Huong's acceptance. In an excellent brief speech Thieu paid tribute to the accomplishments of the Loc government, sought to set at rest unfounded rumors which had been circulating about the attitude of the military, the Buddhists, the Southern Separatists, and threatened discriminations against northerners. He made it clear that he had no intentions of replacing the corps commanders, that he would not tolerate discrimination in any form and called attention to the fact that the Congress, representing the whole people, exercised supervision over the activities and effectiveness of the government. He called on people of all persuasions to extend comprehension and assistance to the new government in the common cause.

Tran Van Huong is now engaged in intensive consultations with a broad range of political figures, clearly hoping to establish as wide a base as possible for his new Cabinet. Thieu told me yesterday that he will be meeting again in the afternoon with Huong to go over the Cabinet list, that they have planned to talk with Vice President Ky today, and that he hoped to announce the new government by Friday or Saturday at the latest. It is planned to reduce the Cabinet from the 17 to 13 or 14 and to set up a smaller group, in the nature of a war cabinet, consisting of Thieu, Ky, the Prime Minister, and two or three others who will meet daily to deal with urgent matters and see that decisions are implemented. Thieu indicated that the most effective of the present ministers would be retained, though not necessarily in the same positions: Lu Y (Health), Sieu (Transport), Tri (Revolutionary Development), Vy (Defense), Tinh (Finance), and possibly others. Huong has been at some pains to make clear the fact that he wants to put together a balanced team in terms of regions and other interest groups.

Reaction to the Huong appointment continues to come in and is generally favorable, although there are some who prefer to reserve their views until the composition of the Cabinet is known. Huong has a reputation for personal integrity, honesty, toughness, and a fighter against corruption; he also has a reputation for stubbornness, of which Thieu is aware but which he believes will not prevent their working well together. Thieu told me a week ago that Huong's concern was that he be given enough leeway to work to the end of more effective and honest government. Thieu is prepared to do this and said that he had gone through a long list and "the fact is there is no one to appoint Prime Minister except Huong."

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In addition to the generally favorable comment on Huong's appointment, it was encouraging that one of the leading extremist Buddhist figures, Thich Phap Tri, denied publicly that the An Quang group was opposed to Huong, and in fact expressed satisfaction at the appointment.

Unfortunately, as so often in the past, there has been irresponsible reporting on the appointment of the new Cabinet. The reports of a serious crisis or showdown between Thieu and Ky over the Huong appointment appears to be lacking in foundation. While Ky is unhappy over developments, because of Huong's known independence, I know of no evidence that he will attempt to do anything to obstruct it. In fact, it is reported that the conversation Huong had with Ky last Tuesday went very well, and that Huong handled it with tact and skill. The AP story of May 17 which predicted a Thieu-Ky showdown over the appointment of the new Cabinet was written by a new correspondent recently arrived in Vietnam after some years of service in Latin America who accepted at face value one of the countless rumors always circulating in Saigon.

That Hanoi's current strategy is an all-out effort, militarily and psychologically, to strengthen its hand in negotiations continues to be evident. While as I reported in my last message the enemy's major attack on Saigon was broken off, he is covering his withdrawal with a series of rocket and mortar attacks on a variety of targets. This has included indiscriminate firing at Saigon in the early morning hours of May 19 and additional mortar and rocket attacks against the capitals of Ba Xuyen, Dinh Tuong, and Binh Thuan Provinces early on May 21.

The indiscriminate attacks on civilians in Saigon have had an impact in psychological terms as well as added to the list of dead, wounded, and homeless. Three Vietnamese police and three civilians are known dead, 32 civilians and one American soldier are reported wounded, and some 500 people have had their homes destroyed. The home of Nguyen Luu Vien, Deputy Prime Minister in Ky's last Cabinet, was hit by a 122 MM rocket just after he had gotten his family awake and downstairs. He and his family suffered scratches but were otherwise unhurt. He dismissed the attack as blind terror designed to impress world opinion as proving that the Communists are masters in South Vietnam. Nguyen Phu Duc, an advisor to President Thieu, had an experience very similar to Vien's.

In our fifth joint discussion on problems of negotiations yesterday morning, Thieu gave his estimate of Hanoi's objectives and brought up a subject which is obviously of increasing concern to the Government of Vietnam, i. e., how long the present situation of partial bombing halt with no reciprocity can be allowed to go on.

Thieu said that the Viet Cong and North Vietnamese Army is "testing our patience" and are in no hurry to engage in serious talks. They mean to exploit the partial bombing halt for as long as possible in order to increase infiltration and to mount new large-scale attacks. He was concerned that the death and destruction which is daily visible in the cities would have a cumulative psychological impact on the people. Statistics of Viet Cong and North Vietnamese Army losses (which the enemy can still afford in any case) make little impression on most people, but the

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destruction of their homes is evident. Their faith in the government strength and capacity to protect them from these attacks will more and more be sapped. Thieu believed that within another month the enemy would probably launch another major attack, and would continue harassment of the cities in order to discredit the Government of Vietnam and attempt to create an uprising against it.

Thieu felt that the talks so far in Paris have been favorable to our side and that we should use the time to attract international support, but should be careful not to allow our patience to be misread as weakness. He expressed the view that Hanoi would attempt to measure our patience and to exploit the U. S. political situation; that they might attempt to await the development of our political campaign to form a judgment as to the desirability of moving toward a settlement or of awaiting installation of a new administration. He added that though this question was of great concern to him, he thought that we could "wait a while, but not too much longer", before putting a time limit on Hanoi's delaying tactics at Paris. Do observed that the enemy was clearly "taking advantage" already of the partial cessation.

Thieu, Ky and Do have all commented favorably on the performance of our delegation at Paris, and especially on Ambassador Harriman's statements.

It is also increasingly apparent that Hanoi's current strategy of all-out effort to strengthen its hand for a political settlement is directed at the countryside as well as the cities. Documentary evidence shows that the enemy is placing new emphasis on destroying the local Government of Vietnam administrative structure, and on setting up a Viet Cong administration in its place. His effort to strengthen his apparent political base in the cities by organizing front groups is being supplemented by a campaign to organize rural "Liberation Committees" at provincial, district, village, and hamlet levels. This effort, I think, is designed among other things to reinforce the National Liberation Front claim to such wide control over the people in the countryside as to justify a major role for it in a coalition government.

The other side of the coin, however, is the evidence disclosed by recent documents and interrogations of some of the senior Communist officers who have rallied recently. These have brought out a number of signs of growing Communists morale problems in the wake of their heavy losses and defeats during the Tet and May offensives. [REDACTED] the area north of Saigon, states that allied air and artillery strikes have caused severe mental tension among Communist troops and cadres. Problems of supply and the evident discrepancy between Viet Cong propaganda and the reality regarding both Army of the Republic of Vietnam and allied fighting spirit and the extent of popular support for the Viet Cong have also had a depressing effect on morale. Another report indicates that most of the people living in Viet Cong controlled areas are war weary and that the Viet Cong promises to bring an end to the war this year will have a disastrous effect on morale if this does not occur. A result of this attitude has been an increase in desertions out of fear of combat losses and an overwhelming desire for survival inspired by the recent peace negotiations. Against this background of declining morale, a document

captured in Binh Duong Province prepared by the chief of the political staff of an element subordinate to the Central Office for South Vietnam emphasizes that the purpose of the peace talks, as the Communists see it, is to confirm the defeat of the allies and a Viet Cong victory. It states that nothing can be expected from diplomatic debates unless a major military victory is achieved. Consequently, Viet Cong personnel must not let themselves be lured by peace illusions, but must support peace negotiations by fighting harder to achieve more decisive victories; a significant contrast between the mood at the top and in the lower ranks which speaks for itself.

### B. Political

The National Assembly continues at work. The Upper House approved a general mobilization bill on May 18, although in a shorter version than that approved by the Lower House on May 10. The Upper House leadership is convinced that its version of the bill, leaving considerable discretion to the executive, was necessary if the purposes of general mobilization were to be served, a view shared by a number of Lower House members. This mobilization directorate began drafting 18-year-olds on May 1 with mobilization of the class born in 1950 expected to continue through June. In fact, this will have the effect of drafting a considerable number of 17-year-olds (those who become 18 between June and December this year). This aspect has not received great attention here and perhaps should not be referred to publicly, but it is an indication of the determination that Thieu has managed to infuse into the Government Ministry of Defense.

An inconclusive debate was held in the Lower House on May 14 on a motion submitted by Ho Huu Tuong (a veteran Trotskyite sometimes considered to be a neutralist) for establishment of a special committee on peace talks. The debate finally ended when enough deputies had left so that the chairman halted proceedings for the lack of a quorum. The majority of the speakers objected to the establishment of the committee and while there was some criticism of the U. S. for having "fallen into a Communist trap" by agreeing to go to Paris characterized as a "Communist propaganda center", other deputies have said that the position of the U. S. is not to sell out Vietnam "and called on their colleagues to cease criticizing our friends and allies". The debate is significant as underlining once more that developments in Paris are being closely followed, that there are some reservations about our intentions in the talks but that most of the Assembly is prepared to give us credit for good intentions.

When it became apparent that talks would begin in Paris, I suggested to Thieu that he circumscribe comment within the executive branch of the government. He subsequently issued a directive on May 18, making clear that he, the Prime Minister, and the Minister of Foreign Affairs would be the sole official spokesmen with authority to issue statements or comments expressing the position or attitude of the Government of Vietnam regarding the Paris talks. The circular enjoined all other government officials to avoid comment, conjecture, or arguments in which they express their personal views on the talks.

On May 17 the Lower House voted to approve a press law which, while supporting the principle of freedom of speech, considerably strengthens the penalties for libel, for disseminating material which promotes regional divisiveness, and material which "upholds Communist principles, contentions, or activities, or those of pro-Communist neutralism."

### C. Military

There was a decrease in the tempo of the war last week which applied across the board with the exception of the First Corps where the intensity increased. Enemy losses nonetheless continued at a very high rate, at almost a ten to one ratio. The enemy lost 4,765 killed in action compared to 477 friendly losses of which 176 were U.S. and 19 Australians. Enemy weapons lost also continued at a high rate -- 1,097, compared to the loss of 86 friendly weapons.

In the First Corps, activities picked up in the Khe Sanh area, while the 308th North Vietnamese Army Division, which attacked the week before last against the DMZ in strength, suffered such heavy casualties that it was withdrawn into the DMZ area. The pressure around Hue was considerably relieved because of the aggressive actions of the Army of the Republic of Vietnam First Division, together with a Ranger Battalion attached to it and our 101st Airborne Division. In withdrawing from the A Shau Valley, we mined and boobytrapped the areas extensively and established a base for 175 MM guns capable of firing into much of the valley.

Pressures are beginning to build up around Danang and it seems probable that the next wave of the enemy's offensive will be concentrated in Quang Nam Province and in Kontum Province in the central highlands. It also seems quite possible that there will be heavy fighting around Hue in the next several weeks.

Efforts are being made to preempt enemy offensive actions in the Kontum area. There was an interesting action there last week, a good example of cooperation between U.S. and Vietnamese forces. A Regional Force Company was attacked by a North Vietnamese Battalion. Based on prior planning on information received from a prisoner, General Peers' artillery in the vicinity of the camp had been coordinated with the commander of the Regional Force Company. When the attack occurred in the middle of the night, the Regional Force Company held off the attackers long enough to get word to the artillery and because of the pre-planned fire which had been previously developed, enemy attacks were completely stopped. Only 3 Regional Force soldiers were wounded and 147 enemy bodies and many weapons were found outside the post.

In Second Corps the Korean White Horse Division is carrying on a campaign in the hills west of Nha Trang. General Westmoreland reports that the situation in Phan Thiet and Binhthuan Provinces, which had markedly deteriorated, is greatly improved. The Province Chief has become far more aggressive, combined intelligence operations have greatly improved and operations against the infrastructure and in the hills against main force units are being carried on. The Army of the Republic of Vietnam regiments have been extremely aggressive and have achieved excellent results.

In Second Corps the Australians had their heaviest contact of the war. They suffered fairly heavy casualties. In two engagements they killed over 100 of the enemy and believe that they killed still more. The 9th U. S. Division and 5th Army of the Republic of Vietnam Division also had successful operations.

In Fourth Corps there were no major engagements but the Vietnamese troops under the leadership of the new Corps Commander, General Thang, kept up their aggressive actions.

#### D. Pacification

Sometimes we tend to overlook how much control the enemy already has over the countryside, especially since Tet. Regression in the hamlets has been serious. More than 1.1 million people were lost from the relatively secure A, B, C hamlet categories as a result of the Tet offensive. Our hamlet evaluation survey shows slow, steady recovery, but it will take some months at the present rate to restore the pre-Tet level of population control. If we put to one side the cities and large towns (40 percent of the population) the enemy control of strictly rural population rises to 28 percent and total drops to about 45 percent, as contrasted to 62 percent for the population as a whole.

Hence solid gains in the hamlet war are as essential as attrition of the enemy's main forces. This is why we have been seeking to reshape our pacification effort to emphasize short term high impact programs such as: (1) countering regression; (2) improving local security so that the Government of Vietnam officials will move back to villages and hamlets; (3) getting the best leaders into key positions; (4) exerting pressure on the Viet Cong infrastructure; and (5) helping revive the economy on the theory that people who are well off are more likely to support the Government of Vietnam than the Communists. Satisfactory progress is hard to come by, partly because of the inherently slow-moving nature of the pacification process and partly because pacification is a 99.9 percent Vietnamese program which is not yet receiving the dynamic top level Government of Vietnam direction it merits. I can sympathize with Komer's frustrations.

However, the gradual upward trend in these figures, Viet Cong infrastructure eliminations, and economic indicators shows that we are slowly regaining momentum.

End-April hamlet evaluation system reports show further modest gains in recovery of Government of Vietnam control in the countryside. From a post-Tet low and end-February of 59.8 percent of population living in relatively secure areas. End-April data shows an increase to about 62 percent. There was an April gain of 158,000 people in A, B, and C hamlets, while Viet Cong-controlled population declined by about 70,000.

Since we have been giving first emphasis to restoring security so we can later get on with the development aspects of pacification, it is interesting that the April population gain based on the nine Hamlet Evaluation System security factors alone was 368,000 people--more than twice the gain based on all eighteen security and development factors.

Government of Vietnam operations against the Viet Cong infrastructure continued to achieve modest results. Some 1,295 identified enemy organizers and political cadre were eliminated during April, mostly at hamlet and village level. Our advisor reports indicates 183 were killed, 997 captured and 115 rallied as Chieu Hoi returnees. It is significant that 86 percent are alive and giving intelligence that will lead to further eliminations. This multiplication process can, with the improved Phung Hoang organization, seriously cut into the enemy's structure.

#### E. Urban Recovery

Damage from the early May attack on Saigon/Cholon has turned out to be heavier than first estimated. Refugees rost to about 104,000 in Saigon and 39,000 in Gia Dinh. Houses destroyed total 10-15,000 in Saigon and 5,200 in Gia Dinh. As full magnitude of problems emerged, Thieu accepted our suggestion that Central Recovery Committee take on new Saigon/Gia Dinh task.

Thieu also approved special MACV/Army of the Republic of Vietnam plan, which General Westmoreland developed, for a joint Army of the Republic of Vietnam and U.S. military engineer task force to clear rubble, lay concrete foundations for houses, rebuild some 1,000 destroyed homes, and help people rebuild others in Saigon/Gia Dinh. On Monday, U.S. and Army of the Republic of Vietnam engineers began clearing operations in Saigon districts 6 and 8.

Meanwhile, further progress is being made on resettling Tet evacuees. The number dropped 39,000 to 349,000 as flow of commodities and allowances accelerates. About 47 percent of cement and 41 percent of roofing allowances have been distributed. To help speed up process, Thieu announced at our urging a May 5 deadline for distributing all cash and commodities.

Recovery is proceeding well in Hue. Although there is still much to do, building materials have been distributed to over 5,700 families. Two markets have been re-opened, and a pontoon bridge installed.



F. Economic

The U.S. Aid Mission retail price index fell 7 percent during the week ending May 20, continuing the decline begun the week before. Prices of rice, fresh protein foods, and vegetables declined, with vegetable prices declining substantially. Prices of processed food such as bread, condensed milk, beer, and nuoc mam, (fish sauce) were unchanged or somewhat higher. The index is now 10 percent above the level reached on April 29, the last reading before the May offensive began, and 25 percent above January 2, 1968.

During the week, the joint U.S. -Government of Vietnam economic committee met and discussed a wide range of issues. The U.S. representatives submitted a draft text for an economic policy agreement for 1968, and a letter proposing specific policy agreement for 1968, and a letter proposing specific policy measures to be agreed in June, when a semi-annual review of the situation will be held. The June meeting will probably be the first serious confrontation on economic policy with the Huong cabinet. We will be striving for firm tax revenue targets, measures to hold the foreign exchange level in check, a sound policy on civil service wages, and other measures to keep the economy on the track.

Domestic tax collections in April this year were nearly two billion piasters or 35 percent higher than April last year. While this was in part a catching-up after low collections in February and March, it is nevertheless very encouraging. Total collections in the four months through April 1968 are only one percent lower than the same period last year.

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