

## THE WHITE HOUSE

WASHINGTON

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Thursday, June 20, 1968

Mr. President:

Herewith a capsule of Bunker's 56th weekly report:

A. General

- Ky in June 17 speech repudiated coup rumors and explained resignation from Civil Defense.
- Thieu in speech next day stressed development of SVN responsibilities, and pledged help in forming: pro-government front, and a loyal opposition.
- Apprehension and impatience with Paris talks sharpened by apparent all-out effort by Hanoi to achieve politico-military victory.
- Calls of firmness from Ky, Information Minister Thien and Lower House and dismissal of conciliatory Dr. Dan dramatized growing concern on negotiations issues.
- Thieu taking harder public than private line on possible GVN talks with NLF.
- Thieu's civilianization of GVN prompts resignations of Generals Khang (III Corps) and Thang (IV Corps); and maybe General Vy, Defense Minister.
- Joint RVNAF/US defense plans for Saigon being implemented.
- Over 119, including NVA, defect from VC unit near Saigon this week.

B. Political

- Assembly passes imperfect but adequate mobilization bill.
- GVN popularity up in IV Corps from VC harassment and regard for Thang.
- Corruption still felt widespread at all GVN levels but some improvement from appointment of PM Huong who is viewed as honest and energetic.
- Concern in urban delta areas that US will force coalition government to facilitate retreat.

C. Military

- Continued shelling of Saigon, main enemy target.
- Enemy building up forces in Northern I Corps.
- Enemy helicopters and fixed wing aircraft reported within DMZ.

D. Pacification

- Slow post-Tet trend continues up; relatively secure hamlets up to 62%.
- Regression in Saigon-Gia Dinh from enemy harassment.
- New Saigon mayor and police chief cooperating closely with Mission.
- Komer pressing new Cabinet hard on pacification; cultivating new Interior Minister Khiem to revitalize attack on VC infrastructure.

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E. Urban Recovery

-- Huong pushing ministries harder on evacuee and recovery efforts.

F. Economic

-- New Cabinet discussing economic matters; decisions on rice needs expected next week.

-- GVN appears willing to accept US proposals on rice escrow account and debt prepayment.

W. W. R.

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Thursday, June 20, 1968

By isa, NARS, Date 11-28-83

FOR THE PRESIDENT FROM BUNKER (Saigon 30500)

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Case # NLJ/CBS 10

Herewith my fifty-sixth message:

Document # 101

A. General

The past week saw continuing emphasis on the problem of negotiations and interest in the Paris talks; on the problems related to the continuing evolution of constitutional government and its increasing civilianization; on the need for greater assumption by the Vietnamese of responsibility for the defense of the country and their own destiny; on the need for greater unity among the nationalist elements and for the development of political organization to give effect to this unity; and finally increasing attention to organization of the defense of Saigon.

Many of these matters were referred to in two important speeches, one by Vice Presidency Ky on June 17, and the other by President Thieu the following evening. Despite some negative developments in recent days, I think the sum of the two speeches distinctly encouraging. After explaining at length his decision to turn back the direction of civil defense to the Cabinet (where I think it properly belongs), Ky referred to Communist rumors of an impending coup. He observed flatly that "no responsible person could approve of a coup d'etat at present. to engage in fighting and killing one another at this time is tantamount to assisting and colluding with the Communist gangsters. Moreover, I have repeatedly affirmed that the armed forces and police must be considered national forces whose task is to serve the fatherland, and nobody has the right to use them for his personal interests."

Thieu's speech was positive and at the same time realistic. He spoke of the need for the Vietnamese people to assume full responsibility for their own defense and to take over the burden from their allies, saying that the destiny of Vietnam is up to the Vietnamese themselves. He noted the passage of the general mobilization bill as a further step in this assumption of responsibility (the bill was promulgated in a ceremony at Hue on June 19, Armed Forces Day.)

Thieu termed the constitutional and the elected government the necessary framework of democracy and noted progress in the establishment of democratic institutions. But he also emphasized the fact that the substance of democracy in the form of political party organization had not yet been created. He stressed the urgent need for this and pledged government assistance in the formation of a pro-government group and a loyal opposition to which those who did not wish to support the government could adhere. Thieu has discussed the problem with both Vice President Ky and Sen Tran Van Don and with Thieu's encouragement Don has taken preliminary steps toward the creation of a new front of fronts which will include both his own national

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Salvation Front and Nguyen Van Huong's Free Democratic Force. Thieu, I think, will now be taking a more direct hand in encouraging this and other groups to move toward political unity.

Thieu also emphasized several times in his speech the need for continuing trust and cooperation between the legislative and executive branches of the government as well as the army and the people.

The net impression of the two speeches is that Ky, while not very happy in the restricted constitutional role of Vice President, is nevertheless determined to avoid actions that will harm the national interests at this critical stage. Thieu's speech conveys the impression of increasingly stronger leadership directed toward building the institutions of democracy and broadening the base of government support while rallying the forces of the nation to defend its sovereignty and vital interests.

The problem of peace negotiations: the dominant theme continues to be one of firmness in the face of what is generally believed to be an all-out effort by Hanoi to achieve a politico-military victory during what is considered to be a climatic year. Continued attacks on Saigon and other centers of population, stepped up infiltration and evidence derived from prisoner interrogations and captured documents indicating that Hanoi intends to step up military pressure in the coming months have tended to strengthen this attitude. It is strengthened also by the continuing apprehension among many South Vietnamese leaders, civilian as well as military, that the U. S. will be tempted to compromise their vital interests in dealing with Hanoi. The result has been reflected in a growing sentiment of many South Vietnamese leaders, civilian as well as military, for retaliation and against the continuation of the Paris talks so long as the enemy continues to shell Saigon and other population centers without regard for civilian life and property.

For example, in his June 17 speech, Ky said there should be no compromise with the enemy. "The more we make concessions, the more opportunities we create to allow the war to continue. The more conciliatory an attitude we take, the more aggressive and reckless the enemy becomes." Last week Information Minister Ton That Thien said in Honolulu that restricting the bombing "may have been responsible for the murder of women and children in Saigon." In the Lower House, the democratic bloc asked the government and the allies to resume bombing of North Vietnam; the statement warns that "we cannot continue the Paris talks with North Vietnam, which is trying to exert political pressure on the talks by ruthlessly killing innocent Vietnamese." There is also the usual kind of ugly rumor going around Saigon that the U. S. is deliberately permitting the shelling of the city in order to pressure the Government of Vietnam into concessions.

The fear of any concessions to the enemy was dramatized by the reaction to Dr. Phan Quang Dan's statement in the U. S., reportedly calling for a Government of Vietnam initiative to open talks with the National Liberation Front. Reaction in political circles, the press, the Assembly, and the military was so strong that the Cabinet felt compelled to ask Thieu to dismiss Dan from the government, which he did.

Thieu has privately expressed to me his own concern about the reaction to the continuing stalemate in Paris, coupled with continued terror attacks on population centers. He noted that we have been showing restraint and patience for two and one-half months with no sign of give on the other side. He has said there is a widespread feeling among the Vietnamese people that the Democratic Republic of Vietnam continues to attack Saigon as a test of our determination and to demonstrate that the U. S. does not dare to retaliate; and the man in the street is asking, why does the U. S. let this go on without retaliation?

Publicly, Thieu is taking a reassuring but hard line. He said in his speech on June 18 that both the enemy shelling of Saigon and Hanoi's agreement to the Paris talks demonstrate their weakness; that the Communists only negotiate when they have no hope of military victory. In calling for increased efforts to strengthen the nation, he also said that the solution to the war lies on the battlefield; that peace conferences can only confirm what has already taken place on the battlefield.

Yet Thieu has also confirmed in private talks with us what he said to me as long ago as last August; namely, that at some point in time his government would not be adverse to private contact with the National Liberation Front or the Viet Cong; that there are men in the Cabinet who have had contact in the past with men who are not Viet Cong or members of the National Liberation Front. Contacts would have to be secret because emotions and feelings of the South Vietnamese people would not allow them to understand that talking with the National Liberation Front and Viet Cong does not mean surrender. The rocketing of Saigon by the Viet Cong precludes any talks, even secret ones, with the National Liberation Front or the Viet Cong at this time. But he also understands that there will come a time when the position members of the National Liberation Front and the Viet Cong occupying a peaceful Vietnam will have to be considered.

Thieu's moves toward greater civilianization of the government have brought some problems in their wake, particularly with some of the senior generals. I reported last week General Khang's submission of his resignation, using the excuse of his feeling of responsibility for the accident which caused the death of six senior Government officials. General Thang has asked to be relieved as Commander of the Fourth Corps and requested assignment as Head of Political Warfare. General Vy is reportedly to have threatened to resign over the appointment of Colonel Nhieu as Mayor of Saigon, claiming to be in possession of a dossier of the latter's corruption while serving as Province Chief. Each has his own personal motives for wanting to quit, but I think the basic reason for their moves is the important shift in power relations which I described in my last report. Thieu has allied himself not only with Huong and other civilian leaders but is also installing military leaders loyal to him. This is being done in a way that curtails the influence of Ky and the military council and it is clear that Thieu is trying to assert his independence of the military council. This has further reduced Ky's authority in the government. In increasing his own authority and in moving toward a better military-civilian balance in the government, both of which were necessary, Thieu has at the same time created potential difficulties for himself and for his government in the future. Thieu has expressed a desire to create unity in the country in support of the government and the war effort and has taken steps to this end; he must also bring about unity with the Ky forces and the initiative must come from him.

The trend toward greater civilian participation in the government is one we have stimulated and nourished for many years, beginning with our support for the election of a constituent assembly. Certainly it is desirable that Thieu play the role of a constitutional President rather than serve merely as a representative of a military clique which tries to run the government from behind the scenes. It is nevertheless regrettable that movement toward these goals may involve the loss to the government of the skills and leadership of several of the more able military leaders. But I am also strongly of the view that the ostensible reasons for these resignations or requests for transfer do not justify the individuals concerned opting out of the war effort.

**Defense of Saigon:** Efforts to secure the Saigon population are moving ahead. General Minh has accepted a plan for population control drawn up by General Hay. The Joint Command arrangements are being rapidly implemented and I believe we shall have an effective team.

Thieu and General Abrams have told me that they are pleased with the way in which General Minh is taking hold in his new post. Thieu also outlined his thinking on the best way to defend Saigon: There would be two defense rings, with the outer ring consisting of fortified strategic hamlets and the inner ring of fortified New Life hamlets. Thieu also commented that he has been pleased with the performance of the new Director of National Police Col. Hai, the Saigon Police Chief Sat, and Mayor Nhieu.

**Some indications of enemy intentions:** A senior North Vietnamese Army Colonel, Le Van Ngot, a member of the Lao Dong Party for 21 years has, under interrogation, given some explanations of Hanoi's strategy. He believes that the Paris talks are part of a two-prong strategy aimed at frustrating the U.S. to the point where we will withdraw from Vietnam. The offensive against Saigon is to provide the necessary military victory. According to Ngot, Hanoi also counts on our domestic peace movement and economic difficulties to convince us that we cannot bear the cost of the Vietnam war.

Ngot also noted that talk about the Paris talks is discouraged among enemy forces because it is feared that it will hurt morale. The troops are told that success of the talks depends on military victories.

While Ngot claimed morale was good among the troops in his areas, several recent instances of mass defections or surrenders by enemy units have been encouraging. The most recent and dramatic took place June 18 about noon when large numbers of the Viet Cong Quyet Thang (Resolve to Win) Regiment began surrendering to the government in the Gia Dinh-Go Vap areas of suburban Saigon. Their actions came in response [REDACTED]

[REDACTED] but they were running out of food and ammunition. There were confirmed reports indicating 119 men were involved; unconfirmed reports say 148. They are reported to have brought in 96 weapons. The Army of the Republic of Vietnam and press sources have claimed virtually the entire group is North Vietnamese Army, but this is not confirmed, although apparently a considerable number are North Vietnamese Army.

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B. Political

General mobilization: The Assembly was unable to override any of the executive amendments to the general mobilization bill. The measure thus was promulgated by the President June 19. It provides, in effect, that all male citizens from age 17 to age 43 may be required to serve in the armed forces. All males 18 to 38 are immediately subject to the draft, while those from 39 to 50 and those 17 to 57 must be at once enrolled in the people's self-defense forces. If the military situation requires, members of the people's self-defense forces aged 39 to 43 and age 17 can be transferred from the self-defense forces to the regular army. The law provides for deferments for men with critical skills, and for National Police personnel and Revolutionary Development cadre.

While not perfect, the bill is quite adequate and gives President Thieu broad authority to mobilize the nation's manpower resources. As Thieu himself observed in his speech yesterday, the law is also a victory for democracy because <sup>of</sup> the strains and hazards of the wartime situation. Its usefulness is psychological as well as legal. The nation is now officially on a war footing, with virtually all adult males subject to some kind of service to the nation.

Some reports from the provinces: According to our provincial reporters, popular attitudes toward the government in the Fourth Corps improved last month. This does not mean that there was a sudden surge of popular support and mobilization of effort behind the government. There are still many critics, and the attitude of most of the Delta still is one of cautious waiting to see if future performance measures up to past promises. Still, there was a decided improvement over past negative attitudes toward the government.

One reason for this change is the increasingly onerous demands of the Viet Cong on the population. Taxation, from all reports, continues to be extremely heavy. Recruitment of teenagers is going on at a high rate, and rural parents are increasingly dubious of Viet Cong promises to return the youth to their homes after a few months. In addition, there seems to be growing resentment at Viet Cong terrorist tactics. The mining of a Tri-Lambretta in Chuong Thien Province resulted in a 300 person anti-Viet Cong demonstration.

General Thang continues to be held in high regard, benefiting from relative economic and military normalcy. Also contributing to the favorable attitudes toward the government during the month were some good performances by the new province and district chiefs. Some of the latter, especially, are young, vigorous men who present a favorable contrast to their older, more lethargic predecessors.

On the issue of corruption, there was still the feeling on the part of most that the system of covert payments from bottom to top government levels remains unchanged. The comment began to be heard somewhat more frequently, however, that there is some improvement, thanks to the appointment of an honest Corps Commander. Such

people say that because General Thang is honest (and they often add the name of Prime Minister Huong), his subordinates are more reluctant to engage in corrupt practices.

The appointment of Tran Van Huong to the position of Prime Minister has met with approval in the Delta. The fact that he is a native of Vinh Long does not, of course, detract from his support. More important, however, is his reputation for incorruptibility and energy. Many people mentioned these two characteristics, and commented that Huong is a far better man for the position than his predecessor, Nguyen Van Loc, whom most dismissed as weak and ineffective.

While supporting Huong, many people predict that he will have a very difficult time in the months to come. They praise his initial goals of reducing press censorship, restoring the old government work schedule (and thus the siestas) and his promise to combat corruption. His intentions are good, say these people, but he is such a direct, honest man that he may irritate and make enemies of those he must work with.

As in previous months, many urban delta residents remain worried and suspicious about U. S. intentions in Vietnam. As could have been expected, this concern has been heightened by the Paris talks. These Vietnamese are encouraged by the fact that there have been no concessions by the U. S. to date, but they remain pessimistic about the durability of American determination. The feeling is still widely held that the United States means to get out of Vietnam and is prepared to force a coalition government on Vietnam in order to facilitate retreat. There is little hope here Hanoi will negotiate in good faith.

### C. Military

The main enemy target still appears to be Saigon, although ground action was light this week in the surrounding areas. Indiscriminate shelling of the city outskirts continued, and there are numerous indications that preparations are continuing for another coordinated offensive against Saigon. Attacks could be launched at regimental strength at any time.

In addition to the threat against Saigon, the enemy appears to be building up his forces for action in northern First Corps. Enemy strength is increased in the Khe Sanh area in particular.

Also of interest are reports of enemy helicopters to the north of and within the DMZ. In several instances, fixed wing aircraft were reported escorting the enemy helicopters.

A third major target, considered under a reduced threat at this time, is the Kontum Province area.

Action in the Fourth Corps is confined to a pattern of harassing attacks by fire on friendly outposts and installations; the enemy seems to be avoiding major contact in this area.



#### D. Pacification

The end-May hamlet evaluation system report shows continuation of the slow upward trend since the post-Tet February low. Relatively secure population (ABC categories) increased by 64,000 to 62.1 percent of total. Viet Cong controlled population dropped to 17.6 percent from 17.9 percent.

Improvement would have been greater except for the large regression in the Saigon/Gia Dinh area, where 140,000 people dropped from relatively secure to contested because of the enemy's May/June offensive. This was offset by modest gains elsewhere especially a substantial gain in the Fourth Corps (79,000), reflecting continued improvement of security under General Thang.

The new Director General of National Police and the Saigon Mayor are working more closely with US advisors than their predecessors. The Police Chief, former Ranger Commander Lt. Hai, is pushing removal of corrupt and ineffective police officials. We provided him a list of 50 names and already the axe has begun to fall. New Saigon Mayor Nhieu worked closely with us on the Central Recovery Committee, and has already asked for greater American staff support in meeting Saigon's problems.

Meanwhile, Bob Komer is pressing the new Huong Cabinet hard to get moving faster on pacification. He briefed Thieu, Ky and Huong at length, and has been cultivating General Khiem, the powerful new Interior Minister. We are hopeful that Khiem will breathe new life into the critical attack on the Viet Cong infrastructure.

#### E. Urban Recovery

With continued disruption from rocket/mortar attacks, urban recovery will be with us for some time. In Saigon and vicinity, evacuees and damage from the May-June offensive continues to climb. With still incomplete figures, houses destroyed in Saigon/Gia Dinh number 18,800. Evacuees climbed to 176,000 -- 15,000 more than a week ago. But relief supplies are flowing adequately and resettlement allowances are being distributed. Curfew has been relaxed throughout the city. Huong, who sees the need for wrapping up recovery so he can get on to other pressing tasks, is pushing the ministries harder than Loc did.

Our joint Army of the Republic of Vietnam/Military Assistance Command in Vietnam operation, to clear and help rebuild in Saigon, is making good progress. We have offered the government an additional month's production of about 400 prefab buildings, with space in a pinch for 4,000 families, for permanent relief shelters in Saigon.

Meanwhile, I visited a very well-managed refugee center at Petrus Ky, where 2,600 people already have been moved into adequate temporary homes. In all, 1,090 units (enough for more than 12,000 people) will be completed shortly. In Lam Son Stadium, 463 units have also been completed and occupied. Another 468 units are under construction at the medical center.

F. Economic

Retail prices in Saigon fell again this week, with food prices down 4 percent, non-food prices even, and the index as a whole down 3 percent. Pork, fish, vegetables and fruit were all down in price, with rice unchanged. The latest index figure gives us a 20 percent increase over the beginning of the year.

During the first five months of 1968, money supply rose by 31.8 percent, while during the same period of last year, the increase was only 9.3 percent. It is evident that the money supply increase this year has not reacted on prices as forcibly as might have been expected. The main part of the explanation seems to be that people have changed their spending patterns and are holding larger cash reserves this year.

Formal discussion of economic matters with the new Cabinet was launched in a meeting held June 15, with a wide range of topics covered. The new Minister of Economics, Mr. Au Ngoic Ho, and Minister of State, Vu Quoc Thuc, gave every indication of being ready and able to make decisions. A large part of the discussion concerned rice, where the attitude of the new government is good. We should have decisions by next week on rice requirements for the remainder of the year. But the government has still not been able to agree on a policy to improve the price peasants receive for their rice and to stimulate rice movement out of the Delta.

With regard to the Government foreign exchange level, we believe that the Government will accept our proposals for a rice-purchase escrow account and debt pre-payments that will cut the Government reserve back to the \$300 million level or below, and keep it in that range through the summer. Minister Ho also pointed out that Government of Vietnam financed import licensing from the U. S. during the first five months of 1968 was around \$23.4 million, not counting the \$13 million purchase of two Boeing aircraft. This compares with \$26.3 million in all of 1967 and is very encouraging.