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Friday, June 28, 1968 14

Mr. President:

Herewith a capsule of Bunker's 57th weekly report:

A. General

- GVN attitude toward peace settlement hardens; following Assembly heckling PM Huong issues strong anti-coalition statements.
- Lower House rejects coalition, urges Paris Talks time limit and demands break-off if Saigon shelling is renewed.
- Small Labor, Student and Buddhist groups issue simplistic peace appeals reflecting possible Communist influence.
- Lull in Saigon shelling may stem from improved defense, Hanoi orders, or preparation for new attacks.
- Thieu and Ky say any new shelling must bring retaliation to maintain public morale.
- Vietnam Alliance still alive in minds of local politicians as escape route for intellectuals, military and GVN officials if U.S. will erodes.
- Recent mass surrenders reflect variety of enemy problems.
- Thieu pursuit of constitutional path irritates generals; informal war cabinet still planned as attempt to restore harmony.

B. Political

- Assembly nears end of session; record quite good.
- Sweeping new mobilization law explained in press conference.

C. Military

- Saigon, Northern Provinces and Western Highlands remain enemy's main targets.
- Possibility of renewed ground and rocket attacks against Saigon, followed by offensive in I Corps.
- Increasing enemy attacks in IV Corps despite problems for VC caused by Paris Talks.

D. Pacification

- New Interior Minister Khiem advances Program to attack VC infrastructures; May results encouraging.
- Self-Defense program has many problems including question of new chief.

E. Urban Recovery

- Despite U.S. prodding, recovery going slowly; remains only 54% complete.

F. Economic

- If present retail price drop continues, price effects of events since Tet will be wiped out.

DECLASSIFIED
White House Guidelines, Feb. 24, 1983
By 16, NARA, Date 8-20-92

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-- GVN takes several encouraging steps toward increasing tax revenues.

W. W. R.

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Thursday, June 27, 1968

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FOR THE PRESIDENT FROM BUNKER (Saigon, 31193)

Document # 102

Herewith my fifty-seventh weekly message.

A. General

Developments during the past week included what appeared to be some hardening of the Government's position on peace; at the same time, several small groups representing fringes of labor, students, and Buddhists issued peace appeals. Communists shelling of Saigon fell off sharply, but there are indications that they intend to renew their attack on the city. There is also evidence that the enemy is still placing primary stress on his military effort in order to gain his political objectives. All local indications are that the present lull in activity is due to enemy efforts to replace his losses, reinforce his troops, accumulate weapons and ammunition, in order to undertake more ground attacks on Saigon, and to initiate heavy action in other areas.

Attitudes toward peace: The attitudes of the Assembly and the Government toward a peace settlement seemed to be hardening. I reported last week the firm public statements by both Thieu and Ky on this subject. This week, the Assembly demonstrated its feeling about the NLF and the subject of negotiations in general.

On June 24, at the Assembly's request, Prime Minister Huong appeared before the Assembly to discuss the question of Saigon security. In describing the Communist movement in South Vietnam, in response to a question, Huong made the observation that it had attracted some genuine nationalists during the colonial period and under the Diem regime. Before he could go on to say that these nationalists had since either been eliminated or brainwashed, Huong was silenced by shouts of protest from the floor. A majority of the legislators registered loud and long their disapproval of the idea that the NLF is anything else but a tool of Hanoi. When order was finally restored, Huong went on to make a strong statement on the Government

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position regarding the NLF, which converted the jeers into an ovation. He followed this up with an official interview in the Vietnam press in which he is quoted as saying: "Once again, I reiterate my standpoint: A) not to recognize, B) not to negotiate, C) not to have a coalition with the so-called National Liberation Front of South Vietnam."

The Lower House discussed the question of peace and negotiations efforts, ninety Deputies having signed the petition to place the item on the agenda. Although the debate was generally calm and constructive, it was clear from the debate that the Lower House remains uncertain about the U.S. position. They decided to recommend to the Executive that the GVN seek clarification on a number of points, and they also apparently intend to send a letter to the U.S. Congress.

The House approved a number of points "in principle" for inclusion in these two documents. The most important from their point of view seemed to include the absolute rejection of a coalition government, the need for a time limit on the Paris Talks, and a demand that the talks be stopped if the enemy attacks on the cities of South Vietnam continue. The House also wants the GVN to request the U.S.: A) to affirm that any elections in South Vietnam should be carried out by the legally elected GVN according to the Constitution; B) declare that it will continue to support the GVN against Communist aggression; C) make clear that the Paris Talks are only preliminary, that the GVN will play the principal role when peace talks occur; and D) the U.S. understands that the GVN will not accept an imposed, unacceptable solution to the war.

Prime Minister Huong also addressed the problem in a television speech June 22. He accused the Communists of "abusing our Allies' good will in restricting the bombing of North Vietnam to increase the infiltration of cadres, troops, and deadly weapons." This is occurring just when "the enemy is talking peace in a foreign capital." In an obvious if indirect reference to the Paris Talks, Huong concluded, "Although there is nothing in the domestic or foreign situation which allows us to be optimistic, we must determine our own fate. No power can determine our fate against our will, no country -- no matter how friendly it is -- can force us to accept a solution contrary to our will and to our Constitution."

While the Government was reaffirming its stand on the problem of peace and negotiations, several small groups representing labor, students, and Buddhists issued appeals. On June 13, the Saigon Student Union called for negotiations to end the war promptly, urging the Huong Government to

fulfill its promises of peace. A week later, the militant An Quang Buddhists appealed for a "cessation of killing," blaming both sides for indiscriminate attacks on the civilian population on June 24. A new labor group with no following, the Action Labor Force in South Vietnam, expressed support for the Saigon Student Union statement and demanded a political solution to the war.

These appeals do not distinguish between the two sides to the conflict. There are no conditions specified for peace, no reference to the need to insure the freedom and independence of the South Vietnamese people, and no condemnation of Communist aggression.

These simplistic peace appeals could conceivably weaken the will of the Vietnamese people to continue their resistance to Communist attack, particularly if the latter should succeed in creating heavy civilian casualties and damage. The appeals are certainly not calculated to support the Allied effort to achieve a just and honorable peace. While we do not have hard evidence of it, there is reason to suspect these appeals reflect Communist influence. There are links between the groups concerned, which suggest their actions could be part of a concerted effort. Over the past several years, the An Quang Buddhists have consistently taken actions that assisted the Communists; many Vietnamese are persuaded that the An Quang leadership is deeply infiltrated if not outright Communist directed. The Saigon Student Union is now dominated by professional student leaders who are often described by knowledgeable Vietnamese as An Quang oriented and pro-Communist. The Action Labor Force is new and relatively unknown, but its leadership appears to have a rather dubious background.

A fourth group, the Tam Chau Buddhist faction, has also issued a peace appeal which is clearly anti-Communist. It condemns the indiscriminate shelling of Saigon and their spokesman said at a press conference that "no religious group can exist together with the Communists."

The groups involved in these peace appeals have neither effective organization nor mass following, yet the call for peace could produce echoes here simply because of the depth of the desire for peace among the Vietnamese people. The mass of the people do not want a Communist regime, morale in Saigon remains high despite the shelling, and there is much willingness to make more sacrifices -- but there is also a great longing for peace. The Communists will try to exploit this longing; we must try to mobilize it in support of our efforts to achieve an honorable peace. Our handling of the Paris Talks will be critical to the success of this effort.

Defense of Saigon: During the past week, Saigon was shelled only one night, June 20, when eight rounds landed in the city, killing two children and injuring twenty civilians. (The total number of rounds to fall on the city from May 5 to June 25 is over 417, with 115 civilians killed and more than 528 injured.) Last week was the quietest since May 5. The lull may be due to improved defense arrangements; it may also be due to Hanoi's sensitivity to international opinion and our pressures at Paris; or it may be due to the enemy's decision to build up his resources for a combined heavy ground and fire attack on Saigon in the future. While the shelling has fallen off, reaction to it continues strong in Saigon. Many families have constructed shelters and sandbags bring a premium price. Huong addressed himself to the problem in his June 22 television speech. He outlined Government efforts to stop the shelling, pointing out changes in personnel and organizational structure, and said, "We have succeeded in foiling the enemy guns for the past few days."

When I discussed the matter of attacks on Saigon with Thieu and Ky on June 25, they agreed that morale in the city is high. However, they also felt continued shelling of the city without retaliatory action on our part could cause a break in morale and add to the Government's problems.

Both our military and the Vietnamese have been working hard to improve the defense of the city. General Hay has set up a unified command of the American forces involved in Saigon defense closely coordinated to that of General Minh. American police advisers are now working with all Saigon District Chiefs and CORDS has set up a special advisory office at City Hall to help the Mayor.

Improved surveillance of the areas surrounding Saigon and greatly reduced reaction time for counter-fire has been effective. The surveillance and counter-fire system employs both ground and air units, including radar towers. The optimum time for counter-battery fire has now been reduced to one minute. Secondary explosions and discovery of enemy bodies along with unused rockets and mortar shells testify to the growing effectiveness of these tactics. They are still being improved.

Enemy intentions: All indications are that the enemy intends to undertake ground and rocket attacks on Saigon, and to initiate heavy action in other areas. He has reportedly made street fighting tactics a basic part of the training of infiltrators, and the Viet Cong are stressing preparation for urban operations. Enemy propaganda continues to hail the rocket attacks on the city, both predicting and demanding an intensification.

I have noted the possibility that the recent peace appeals here were in part Communist inspired. I think it also important that the Vietnam Alliance continues to be put forth as a stalking horse. Doubts about our intentions have helped to keep it alive, and while it is widely regarded as a tool of Hanoi, the Alliance is not rejected out of hand by all. We have a recent report [redacted] which strongly suggests that Tran Van Tuyen sees the Alliance as an escape route for those intellectuals, GVN officials, and military personnel who may want to leave the Government side in the future. AS

Tuyen expects the Huong Government to fall, and though he does not say so, he also apparently expects the Communists to prevail in the end. Thus he calculates that many people will have to avail themselves of the Alliance in order to "leave a sinking ship" with some shred of dignity. I think Tuyen's attitude is heavily influenced by the belief, perhaps engendered by his visit to the U. S. earlier this year, that the United States is no longer determined to defend the freedom and independence of South Vietnam.

Enemy intentions are not always consonant with his resources. While infiltration has made up many of the fearful losses incurred by the Communist forces since Tet, the new troops are often green and inadequately trained. This is believed to be an important reason for the recent mass surrenders. (There have been four recent instances of mass surrenders: A. May 1, ninety-five enemy surrendered about ten miles northwest of Hue; B. Between May 30 and June 4, sixty enemy personnel surrendered about seven miles northeast of Phu Bai in Thua Thien Province; C. June 9, thirty-one members of an enemy unit surrendered in Cholon; D. June 18, 150 - 160 enemy personnel surrendered in Gia Dinh.) It is true that in every case the enemy was also surrounded, subject to heavy fire, short on leadership, and subject to psychological operations. Some units were low on ammunition and food supplies. MACV believes, however, that these factors do not fully explain the surrenders; rather, they believe that the spirit and quality of some units are no longer adequate to support the unlimited use of "pitched battle" tactics.

Thieu and the General: I reported in, 30844 and 30631 developments concerning the present relationship between President Thieu, Vice President Ky, and some of the other Generals. As I said in those messages, Thieu has clearly chosen the role of Constitutional President rather than that of the Representative of a Military Clique. Some of Thieu's moves consequent on this fact have caused some disquiet and dissatisfaction among some of the Generals, notably, Ky, Khang, Thang, and Vy.

In my talk with Thieu yesterday, however, he indicated that he believed that these problems were on the way to solution. He said definitely that Vy would not resign, that Vien would continue as Chief of the Joint Generals Staff, and that he would be meeting with Khang and Thang after our talks to try to work out their problems. He praised Thang's ability and honesty and said that he wanted him to return to IV Corps as Commander there, but noted his propensity to resign, generally when he felt his work had reached a peak of success.

He repeated that Khang had been trying to hold down too many assignments at one time with a result that none of them were being carried out with sufficient effectiveness. He proposed to ask Khang if he wished to retain command of the Marine Division which is where Khang's career started and which has always been his favorite division, and give up III Corps, or hold both jobs, in which case he must show more cooperation with General Minh.

Thieu said that he proposed to go ahead with the War Cabinet though, since this was not provided for in the Constitution, it would be set up on an informal basis. He will thus endeavor to bring Ky, Huong, the Interior Minister, and probably the Defense Minister together frequently for discussion of major political problems. He also agreed to institute next week the joint meetings which I had previously suggested to him between top GVN officials and our side. It was agreed beginning next week we would hold the meetings on the first and third Wednesdays of each month starting at 10:00 a.m. and going on through lunch. I believe this should give us the opportunity to work out more effectively the important mutual problems with which we are both concerned.

B. Political

Assembly Developments: The Assembly is nearing the end of its regular session, and I think that on balance it is fair to say that its record is quite good. This is especially true when one considers the newness of the Constitutional Institutions and the difficulties of the present war situation. Since its inception, the Assembly has organized itself and has passed and promulgated two major measures, the National Budget and the General Mobilization Law. In addition the Assembly asserted its constitutional prerogatives by investigating various aspects of the government's performance. It also played an important role in the moves which resulted in the formation of the Huong Government.

Business now under way in the Assembly includes the Political Party Law, the Press Law, the Supreme Court Law, the War Risk Insurance Law, and the War Reconstruction Surtax. The first three have been passed by the Lower House and await action in the Senate. The War Reconstruction Surtax has been passed by both Houses, but differences in the two versions have yet to be ironed out. War Risk Insurance is due to be considered on the floor of the Lower House this week.

Both Houses are planning a recess next month, the Lower House for the entire month, the Senate for only ten days. However, Thieu has told us that if necessary to keep essential legislation moving through the Assembly, he will cut short the recess by convening a special session.

Faster Justice: Prime Minister Huong has ordered the formation of special committees to speed up the consideration of the cases of persons under provisional detention. Huong gave the committees two weeks to go over all pending cases, following which those persons under provisional detention will presumably be freed or bound over for trial. The committees are to be set up at Province level, with special committees for the autonomous cities and Saigon.

General Mobilization: General Vy held a press conference June 25 to explain the implementation of the general mobilization law. He told reporters that by the end of the year, thanks to the new law, the armed forces of the nation will number 800,000. General Vy said that manpower resources from 18 to 33 years of age will be completely utilized before the calling up of people of a more advanced age. However, he added, the majority of people falling in this age category have all been mobilized under the partial mobilization law except (a) individuals who have enjoyed draft deferment, mostly school boys and students (now, more restrictive deferment criteria will be applied); (b) officials of private and public services, being successively mobilized from now to the end of the year according to a fixed schedule (the first mobilization wave has already taken place on May 15, 1968); and (c) school teachers who will be mobilized during this summer vacation.

According to General Vy, people from 34 to 38 years of age without prior military service will be mobilized, first the younger, than the older.

C. Military

The enemy's main targets continue to be Saigon, the northern provinces of First Corps and the Western Highlands. While the enemy might wish to launch another country-wide offensive, he does not appear to have the capability for it at this time. He is, nevertheless, engaged in replacement, reinforcement and re-equipment of his troops for future offensive action. There is a possibility of ground attacks on Saigon by the end of the month or early July, followed in several weeks by an offensive in First Corps.

In First Corps there is no evidence that large scale action is imminent. Enemy forces in the Quang Tri City and Hue areas have withdrawn deeper into their base areas and are not engaged in offensive actions probably because they are occupied with rice collection. The enemy has also shelled First Corps population centers in the same indiscriminate manner as Saigon. Quang Tri and Dong Ha cities were hit this week.

In Second Corps the combination of friendly operations and weather has apparently caused the enemy to cancel his offensive in Kontum. There are movements that may threaten Pleiku, but probably not until late July.

Fourth Corps activity continues to be marked by essentially harassing operations, but during the past week there were ground attacks against friendly positions for the first time in more than two months. Also in Fourth Corps there were reports of Viet Cong units being required to send reinforcements to the Saigon area, and there are indications that the Paris talks are troublesome for the Viet Cong because some cadre and troops look to the talks to provide a diplomatic solution to the war.

D. Pacification

New Interior Minister Khiem has taken intense interest in Phung Honang--the program for attacking the Viet Cong infrastructure. Since getting Bob Komer's briefing on program outline and objectives, Khiem has called for several additional briefings and discussions on components. He has ordered Police Special Branch to organize small staff elements from district level up to coordinate anti-infrastructure activities. Its issuance indicates Khiem intends to act decisively on anti-infrastructure matters--rather a change from the former Minister whose biggest fault was failure to move at all. Khiem has also agreed with his staff's proposal (which we encouraged) to assign one platoon of 14 to 44 Special Police to each district to be used against the infrastructure.

We arranged a day's trip for Khiem to visit [redacted]

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[redacted] 176 are operational now. Khiem visited five in five different provinces coming away educated and convinced that stronger, clearer central direction in the form of a Presidential decree is needed.

Phung Hoang results for May are encouraging. 1,271 identifiable, quality members of the enemy's political-military organization were neutralized--146 killed, 1,028 captured and 97 rallied as Hoi Chanh. This compares with an all-time high of 1,295 in April. However, proportion of district-province level cadre neutralized increased to 201 out of a total of 1,271. Most notable progress was made in Gia Dinh surrounding Saigon where increased attention on anti-infrastructure measures resulted in neutralization of 144 Viet Cong Infrastructure in May compared to only 22 in April.

Decision this week by Government of Vietnam to keep responsibility for prisons under Interior rather than transferring it to Justice Ministry, as proposed by Huong, has eased our concern that Viet Cong Infrastructure picked up by increasingly productive Phung Hoang Program would be let out the back door. Undoubtedly, Huong with his compunction for honesty and justice felt a shift to be desirable. In normal times it would be.

Much more serious thought is beginning to be turned on details of self-defense program which so far has not jelled. Now that Ky has abdicated interest, question of who runs self-defense is raised again. Typically, Government of Vietnam seems to favor Inter-Ministerial Committee solution. We have been arguing that one ministry with already functioning elements at each administrative level, Viz Moi, can administer the program more efficiently than any Inter-Ministerial Committee without any funds or personnel and hope that the decision will fall this way.

Biggest problem now is arming self-defense groups once formed and trained. Sources of arms is not clear. Defense has plenty of M-1 carbines made excess by issue of automatic M-2. Carbines and M-16 rifles to Republic of Vietnam Armed Forces, shotguns left over from strategic hamlet program, and assorted other weapons suitable for self-defense forces. But, there is as yet no Presidential Directive making Ministry of Defense responsible for furnishing them. Also, local leaders are often reluctant to issue weapons because they are accountable that none fall into wrong hands. Because of past experience there is an aversion to arming religious and political groups, often the people best able to organize themselves and the most highly motivated. There is need for a strong, clear directive in handling the essential question of furnishing arms to self-defense forces.

E. Urban Recovery

It takes constant prodding to keep recovery going now that most evacuees in cities have been cared for and remaining evacuees are less visible in more remote districts and villages. Despite repeated efforts by inspection teams from Central Recovery Committee, allocation of sufficient funds and institution of simplified procedures to help place money and materials needed for resettlement in hands of Tet victims, overall recovery is only 54% complete. Resettlement payments (61% complete) are rather far ahead of payment by indemnification for death, injury or loss of property (43% complete). We continue to find the Central Recovery Committee the most useful means for bringing figures like these before the Government of Vietnam leaders and proposing means for improving performance.

Number of Tet evacuees continues to dwindle as total declined 16,000 during week to 205,000 -- only 40,000 of whom are living in temporary shelters. Registered May-June evacuees in Saigon/Gia Dinh also dropped by 8,000 to 171,000. Now that May-June group of victims is beginning to receive allowances, resettlement should quicken. Moreover, good progress is being made on ARVN-US Military Reconstruction Projects in districts 6 and 8. About 200 units -- with space for 1,000 families -- have already been completed.

We are continuing to stress to GVN the need for a war risk insurance plan to speed economic recovery. Also, since the unusually long curfew is having an adverse effect on small businessmen throughout Saigon/Gia Dinh, we are advocating relaxing it district-by-district as security improves.

F. Economic

Retail prices in Saigon continued their decline this week, bringing our index down another 3%, to a level only 3% above that of April 8, just before the May offensive, 11% above January 24, just before tet, and 17% above the beginning of the year. Most food prices have been declining due to improving deliveries from the Delta. If the trend continues for another two or three weeks, we will be in a position to say that the price effects of events since Tet have been wiped out.

Members of the Mission met with the Minister of Economy on June 25 to discuss rice problems. Minister Ho agrees that the price of imported rice needs to be raised and additional measures to raise the price received by peasants need to be undertaken, but are not yet worked out. Minister Ho is taking a two-day trip to the Delta this week after which he plans to effect the necessary actions. Getting the rice trade moving is the number one economic problem now. The new Cabinet's attitude on this is good; it remains to be seen how well it will follow through.

Action on taxes: The GVN has already this year taken two concrete steps to raise tax revenues. On April 1 austerity tax rates on imports were raised approximately 10% across the board. This should increase customs revenues by about 25%, or two billion piasters in 1968.

The second step was taken June 1 when the detailed Brussels tariff nomenclature was adopted for official use. This measure should enhance revenues by even more than the above increase in customs rates.

In addition to these steps both Houses of the Legislature have passed -- in slightly different versions -- a bill providing for a 20% surcharge on most domestic taxes, which should add some two billion piasters of revenues this year. After this is passed, we understand that attention will again be focused on raising the tax

on petroleum products. Finally, a review of tariff rates is nearly finished. If the recommended new rate structure is accepted by the Legislature, it will improve the distribution of the tax burden and increase revenues substantially.

Along with better administration, the above measures represent a constructive effort by the GVN to meet its tax problem. It is noteworthy that April and May domestic tax revenues were the highest ever for any two months and that so far this year more taxes have been collected than at the same time last year -- in spite of the security problem and the sluggishness of the economy. More still needs to be done but once all of the above listed measures have been put into effect the GVN will need some time to digest them before moving on to new fields.