

The Other War in Vietnam — A Progress Report



Foreword Of all the U.S. civilian agencies engaged in waging our "other war" in Vietnam, the major role is played by the Agency for International Development. AID's extensive economic assistance and advisory programs provide growing support to the Vietnamese government in buttressing the civil economy, accelerating revolutionary development in the countryside, caring for thousands of refugees, and promoting health and education, not to mention a score of other ways. My comprehensive report to the President on our civil side activities in Vietnam is in large measure a review of these activities. So I am delighted to see AID use this report to inform the American public about the progress being made on the non-military front in Vietnam. As the President said when it was presented to him, it shows that "the Vietnam war is not just a war of blood, bombs and bullets." This fact needs to be better understood.

R. W. Komer
Special Assistant to the President

AGENCY FOR
INTERNATIONAL DEVELOPMENT
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1966

The Other War in Vietnam — A Progress Report



*Letter
of
Transmittal*

MR. PRESIDENT:

I submit to you herewith the first comprehensive report on the "other war" in Vietnam. I believe that it demonstrates both real progress and growing momentum in the joint Vietnamese-U.S. effort to move that country forward, even in the midst of war. At the same time as it resists aggression, South Vietnam is increasingly coming to grips with the need to modernize its society, bolster its civil economy, develop its representative institutions, and provide a better life for its people. The U.S. is providing substantial help, technical advice, support and material aid. But this is primarily an effort of the Vietnamese themselves.

- A.* This report is mainly a review of accomplishments. It is designed to show how the Government of Vietnam and the U.S. are moving forward on a broad front in an effort to win the "other war." It does not by any means contend that this war is won. Indeed, I would not overstate the progress to date. There are still many shortcomings in our non-military programs and in those of the Government of Vietnam. Much more remains to be accomplished. But the cumulative evidence of what *is* being done is impressive, especially in the light of the tragic problems confronting this embattled Republic of Vietnam.

Aside from all the difficulties which face any new developing country, the Vietnamese people are seeking to build a modern nation against a background of terror, harassment and aggression mounted by a determined enemy—from both within and without. This enemy seeks to throttle Vietnam's economy by systematic disruption of its transport, communications, and commerce. His use of terror and harassment has as its target not just military forces but the soldiers of Vietnam's "other war"—the school teachers and health workers, the village chiefs and agricultural workers, the literate and those who would lead Vietnam toward social justice and modernization. In the last seven months 3015 of these "other war soldiers" have been murdered or kidnaped by the Viet Cong. Here is a little known but tragic drama of the war in Vietnam. That steady progress can be made under such conditions is a tribute to the Vietnamese people.

- B.* Seven months ago at Honolulu you renewed our pledge of common commitment with the Government of Vietnam to defense against aggression, to the work of social revolution, to the goal of free self-government, to the attack on hunger, ignorance, and disease, and to the unending quest for peace. You stressed that the war on human misery and want is as fundamental to the successful resolution of the Vietnam conflict as are our military operations to ward off aggression.

Shortly after Honolulu, you gave a new management to our role in this "other war" by appointing Deputy Ambassador William Porter to direct the American efforts in the field under the guidance of Ambassador Henry Cabot Lodge. Then, five months ago you designated me as your Special Assistant to supervise and direct these civil side operations from the Washington end. In the last five months, my deputy Ambassador William Leonhart and I have made four trips to Vietnam. Recently we have received from Ambassadors Lodge and Porter a series of detailed progress reports on how we and our Vietnamese allies

are faring in the "other war." They and the U.S. Mission in Vietnam have played a central role in the accomplishments cited in this report to you—it is really theirs.

The months since Honolulu have seen a quickening pace of our joint efforts—not just in the well-publicized field of military operations but also in the less dramatic and often overlooked "other war." U.S. civilian agencies—especially AID, USIA, and experts from other departments—are making exceptional efforts parallel to those of our military forces. The latter as well are contributing greatly to the non-military effort, through civic action programs, medical aid, logistic support, and in a host of other ways.

- C. The report that follows lists both the problems we and the Government of Vietnam confront and some of our accomplishments to date—including the progress made toward achieving the goals set at Honolulu. The statistical record is impressive. But statistics tell only a fraction of the story. The highlights are that the Republic of Vietnam, assisted by the United States and 33 other free nations, has committed itself to:

A Revolutionary Development program for constructive change in the countryside. Both governments are mounting a growing effort to protect the countryside, revive its economic health, and provide it with modern services. Our efforts will not end when Communist aggression ceases, but will remain as the foundation of a modern nation.

A campaign to preserve economic stability. In the midst of war, the Government of Vietnam has courageously sought to bring its economic house in order—devaluing its currency, overhauling its fiscal system, and employing budgetary restraint.

New stress on Health, Education, and Welfare. The U.S. has put increasing emphasis on helping to meet the health and educational needs of Vietnam's people, and on caring for the impoverished refugees who are tragic victims of the war. These programs of AID, with help from our military services and private U.S. sources, are among the largest and most impressive in Vietnam.

Expansion of the already successful amnesty program. In the last eight months, over 12,000 people have voluntarily left the jungles and swamps and returned to the Government, which in turn has given them amnesty and a chance for a new life. The number so returning in 1966 is already higher than in all of 1965.

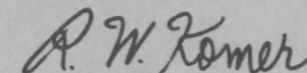
Major steps towards representative government. This month, in unprecedented wartime conditions—and against Viet Cong efforts to terrorize and intimidate a free people from voting—the Vietnamese elected 17 members of an Assembly which will draft a democratic constitution for the Republic of Vietnam.

- D. The coming year will no doubt present additional trials. As the American people increasingly recognize this "other war" is a difficult and complex conflict, for the enemy has eaten his way into the fabric of Vietnamese society. But—as pledged at Honolulu—"the leaders of both of the governments are determined that we are going to move forward and we are going to make progress."

We expect in the coming year to focus our efforts on helping the Government of Vietnam stabilize its economy—increase the pace of Revolutionary Development to recover and reconstruct the countryside—open more roads, railroads, and waterways—and strengthen representative institutions. Many of the specific measures we hope to undertake are outlined in the report.

Mr. President, all Americans can be proud of what many of their countrymen are doing—and our tax dollars are supporting—not only to resist aggression in Vietnam but to wage this constructive "other war." It is in our highest tradition. It is *for* and *with* the people of Vietnam. It offers them the crucial assurance that their future will be better than their past. The road ahead may be a long one. We will no doubt encounter setbacks. But I believe that we can and will do better yet, toward helping our Vietnamese allies build a free and modern Vietnam.

Respectfully,



R. W. Komer

September 13, 1966

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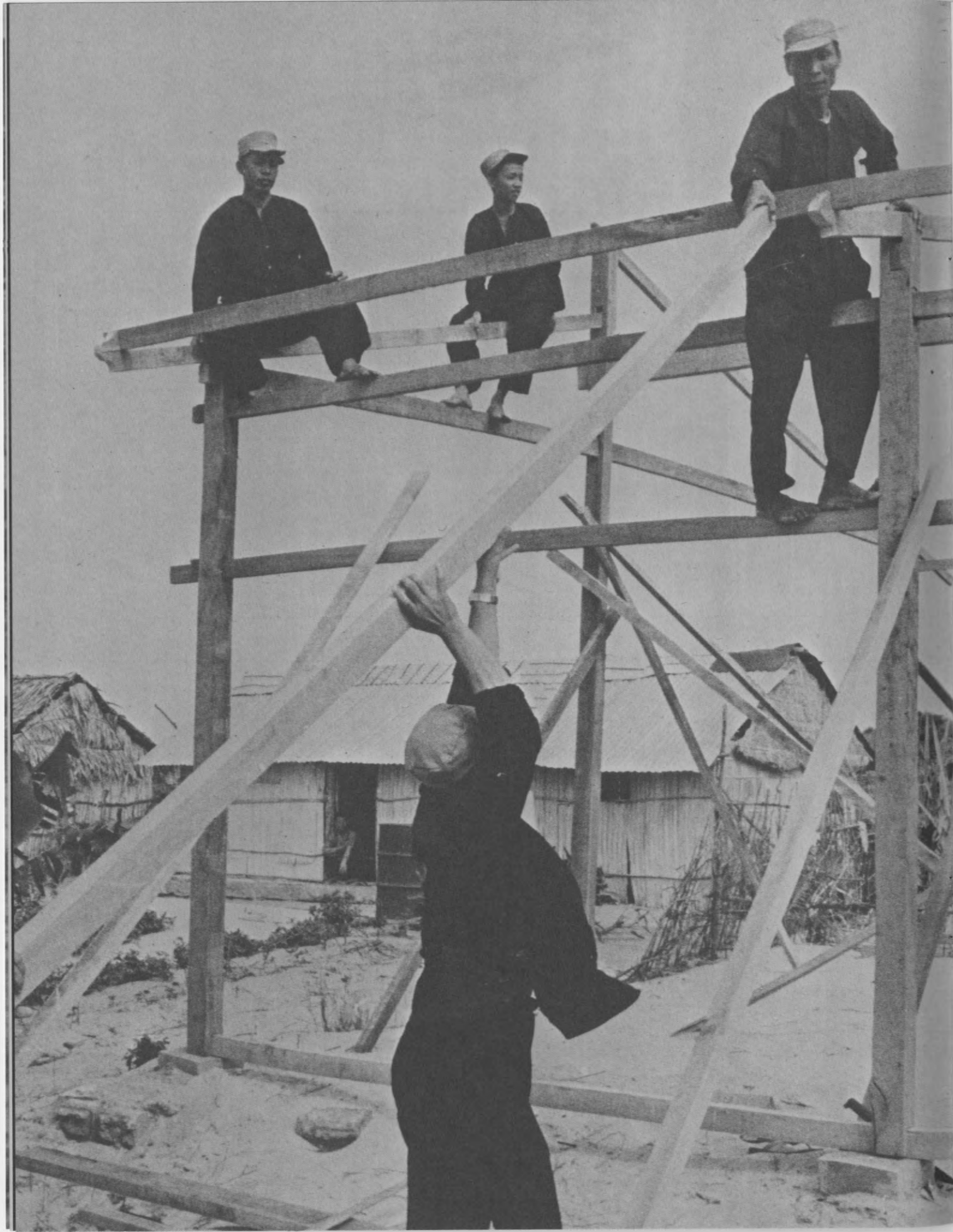
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*The Scope
of the
Report:*

The pages that follow describe the multi-faceted United States programs supporting South Vietnam's growing effort to win the "other war." They cite both progress and problems. Where possible, they include forecasts of what the United States and the Government of Vietnam hope to accomplish over the coming year. In other cases, Vietnam and U.S. agencies are now formulating plans and budgets for the next Vietnamese fiscal year—beginning on January 1, 1967.

Even these detailed reports hit only highlights of U.S. civil side programs. Many other facets have not been covered in detail. For example, a Joint U.S. Public Affairs Office—under a single manager—integrates the public information and exchange programs of the Department of State, the United States Information Agency, the Agency for International Development and the Department of Defense in Vietnam and provides across-the-board support for all Revolutionary Development activities. Operations include a diversified range of psychological and informational functions such as media support—press, publications, radio and television; technical assistance to the Government of Vietnam's Vietnam Information Service; five U.S. and seven bi-national cultural centers; student and teacher exchanges.

Many other U.S. activities supporting the Government of Vietnam could not be fully treated, for example the labor field, legal reforms, the logistic support needed for a massive wartime aid program, military civic action, and other contributions of the military establishment. But they are by no means unimportant. In particular, our military forces in Vietnam have given an impressive helping hand to the civil side. The non-military effort could not have accomplished nearly so much without it.

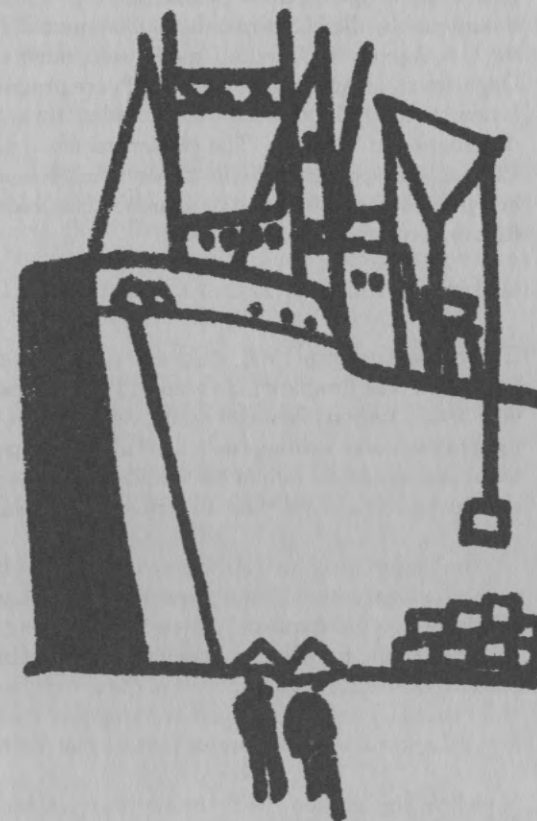
A word is also needed on the extensive technical assistance and advice which the U.S. has given the Government of Vietnam over the past year. Aside from the growing number of U.S. technicians on duty in Vietnam, 36 separate civilian advisory or survey teams were sent between August 1965 and August 1966. Some were high level groups such as those led by Orville L. Freeman, Secretary of Agriculture; John W. Gardner, Secretary of Health, Education, and Welfare; and David E. Bell, former Administrator of AID, sent at the President's request. Others were teams of technical experts. Many of these teams were led by or included volunteer non-governmental experts. Eight were in the agricultural field, seven in that of health and medicine.



*Buttressing
Vietnam's
Economy*

1

For the past few years, the bulk of U.S. non-military aid to Vietnam has been designed to help feed the people, keep the civil economy functioning and forestall runaway inflation. It has served as an essential complement to our military effort to help Vietnam defeat aggression. In fiscal year 1966, as the accelerating tempo of military operations and the buildup of Free World forces posed new threats to economic stability, the U.S. stepped up its economic aid and other measures to cope with these threats.



*Meeting
Vietnam's
Essential
Economic
Needs*

War has cut harshly into the Vietnamese economy. A prime target of the Viet Cong has been to disrupt transport, communications, and commerce. Roads have been mined, waterways blocked. Bridges, railroads and power lines have been destroyed by Viet Cong saboteurs. Young villagers have been forced off the land and into the Viet Cong ranks. Officials and farm leaders have been killed or driven from rural areas. To meet this attack, the Government of Vietnam has had to mobilize an extraordinary proportion of the nation's manpower for police or military duties. By 1966, over two-thirds of Vietnam's able-bodied young men of 20 to 30 years of age were prevented by the exigencies of war from filling their normal productive roles. All this has interrupted the flow of food and export crops to the cities from Vietnam's basically agricultural economy.

Hence, an increasing share of maintaining Vietnam's economy has been shouldered by the U.S. through the Commercial Import Program of the U.S. Agency for International Development (AID) and the AID-Department of Agriculture Food for Peace program. Neither of these programs is new. Since 1954, the U.S. has provided aid goods for sale or direct distribution in Vietnam. The piasters received help finance the strained Vietnamese budget, while the goods themselves offset inflationary pressures and prevent losses in living standards that would otherwise result from short-falls in domestic production.

*accomplishments
to date:*

□ During fiscal year 1966, the dollar funding of goods through AID's Commercial Import Program increased to \$398 million, from \$150 million in fiscal year 1965. Imports financed by the Government of Vietnam out of its own foreign exchange earnings increased almost proportionately and are expected to exceed an annual rate of \$200 million in calendar 1966—a goal which the Government of Vietnam undertook at Honolulu.

□ The import program is being revised and modified to assure maximum anti-inflationary impact and protect against the misuse of U.S. funds. While mistakes and cases of corruption involving commodities under the commercial import program inevitably occur, what we learn from errors often tends to outweigh the actual cost of the errors themselves. The Vietnamese and American governments are working continuously to improve the program. Several reforms were instituted in fiscal year 1966:

New licensing procedures for importers were designed to insure that the great bulk of imports are supplied through competitive bidding by suppliers. This economizes dollar costs and prevents collusion between importers and suppliers to circumvent Government of Vietnam exchange controls.

Certain goods required in large quantity now are being procured through bulk purchases by the U.S. General Services Administration. This will mean lower unit costs and greater efficiency in transport scheduling and port handling.

Increased competition among importers was stimulated by making import licenses available to all legitimate Vietnamese firms satisfying certain minimal requirements. This holds down prices and produces an import flow responsive to the needs of the Vietnamese populace.

Also, importers must now maintain larger deposits with their banks, as well as full bank guarantees, subject to forfeit if irregularities are discovered.

Arrival checks, to insure that quality and quantity are in accord with sums paid, are being carried out in ever increasing numbers with direct participation by U.S. technicians.

□ Authorized imports under the *Food for Peace* program rose to about \$138 million in fiscal year 1966, as compared with \$58 million in fiscal year 1965. These imports were sold on the market, distributed as assistance in kind, or made available through voluntary agencies as part of their help to the needy. □ Despite a poor harvest and increased military activity in rice producing areas as well as heavier Viet Cong exactions of rice from the peasantry and Viet Cong disruption of normal rice trading, U.S.-financed imports (mostly under *Food for Peace*) have provided the people of Vietnam sufficient rice—their stable food.

*effort
in the
coming year:*

□ Because of the central role in economic stabilization played by imports, priority will be given to increasing the rate at which necessary commodities can move through the ports, whether the goods are destined for the commercial economy or war-related programs. Government of Vietnam and U.S. financing for commercial imports may have to be increased to assure adequate supplies for stabilization and development. □ Loopholes that permit abuses of import privileges or limit competition will be closed wherever possible. In these cases, as with all the 1966 reforms, discovering unanticipated weaknesses in the newly instituted measures and making them effective in practice will require a substantial further effort. The principles underlying the reforms are sound. They will yield major returns if—but only if—they are made to work.



Cargoes to support economic assistance as well as military operations flow into Saigon and other harbors at the end of a supply line from the United States.

- Issuance of import licenses by the Government of Vietnam will be speeded up through new processing procedures and U.S. technical assistance.
- The Government of Vietnam and the U.S. Agency for International Development Mission in Saigon (USAID) are consulting on how to increase the supply of rice from domestic production. More agricultural specialists will take to the field to help Vietnamese farmers improve their cultivating techniques. Fertilizer and pesticides will be supplied. The farmer's opportunity to sell his output will be increased by facilitating farm-to-market transport through the provision of additional barges and improving security along principal transport routes. It may be possible to encourage the rice market to operate more freely by providing appropriate incentives to producers and merchants. The extension of security in the countryside and the protection of normal commercial activities will free increasing numbers of peasants from Viet Cong exactions, permitting them to sell their rice at a profit in Government of Vietnam-controlled areas. This will also reduce the supply of rice available to the Viet Cong to support their military operations.

Checking Rampant Inflation

As in all countries at war, Vietnam's economy has come under inflationary pressure. This pressure multiplied with the expanded Government of Vietnam war effort and the extensive U.S. military buildup over the last 18 months. Vietnamese military and police forces increased by almost 100,000; U.S. and Free World troop strength rose from some 25,000 to over 300,000, and unprecedented construction of military basis and logistical facilities got under way.

These measures—vital to the war effort—demanded resources at a rate which could not be met out of domestic output and normal government revenues. As a result, more money was pumped into the Vietnamese economy than could be readily absorbed. During fiscal year 1966 alone, money in circulation increased nearly 80 percent. Prices rose sharply. In 12 months, the cost of living for working-class families in Saigon rose by over 70 percent. Despite price rises, the flow of real goods and services has increased in Vietnam. But the pattern has been distorted. For several important groups, such as the military, police and civil servants, money income lagged behind prices.

Spiraling prices and excessive spendable funds also mean waste and economic disruption. They stimulate hoarding of scarce goods. They foster ill-conceived expenditures by businesses and government, diverting scarce skilled manpower and capital to second-priority uses. They permit undertakings that cannot be completed, and thus tie up resources in unfinished projects.

So the Government of Vietnam and the U.S. decided at Honolulu on a massive effort to control inflation before it could undermine the economic fabric of South Vietnam. A broad economic stabilization program, aimed at controlling the inequities and economic dislocation produced by monetary imbalance and inflation, was given new teeth and purpose during 1966.

Even before Honolulu, *the U.S. and the Government of Vietnam sharply increased the flow of imports.* As already noted, the sale of United States assistance goods served to reduce Government of Vietnam budget deficits and to take piasters out of circulation. Piasters collected in this way accounted for over 60 percent of total Government of Vietnam budgetary revenues, and paid for many U.S. outlays in Vietnam.

Dollar purchases of piasters for other direct United States expenditures provided foreign exchange to the Government of Vietnam, with which Vietnam financed additional imports. Sales of goods from these two sources accounted for about 80 percent of total piaster absorption in fiscal year 1966, and required over \$500 million in foreign exchange.

While imports remain the principal tool for checking inflation, there are limits on how much can and should be done through imports alone. The capacity of Vietnam's ports is limited. The financial burden to be borne by the United States must be kept within reason. Imported goods can fill only part of domestic Vietnamese demands. Excessive reliance on imports also tends to undermine Vietnam's ability to become economically independent in the future. For these reasons, the Government of Vietnam and the United States also took steps toward the more effective management of the economy by fiscal and monetary measures:

accomplishments to date:

- U.S. military pay in Vietnam is now issued in military scrip instead of United States currency to cut down the volume of dollars traded on the black market. Piasters purchased with scrip are channeled to the National Bank of Vietnam. Almost \$70 million flowed to the Government of Vietnam from this source during fiscal year 1966, at a rate increasing monthly with the U.S. buildup. The Government of Vietnam in turn agreed to finance \$200 million worth of imports during calendar 1966, relieving the demands on the U.S.-financed Commercial Import Program.
- In March 1966 *the Government of Vietnam increased taxes* on restaurants, bars, cabarets, beer and other items, and launched a program of more vigorous collection of taxes already on the books.
- The most decisive single measure to control inflation was the courageous devaluation undertaken by the Government of Vietnam on June 18, 1966, on the advice of the International Monetary Fund. For each dollar of imports, nearly twice the previous number of piasters is now withdrawn from circulation.



The new exchange rates mean that all Vietnamese commodity imports and purchases of foreign exchange, with certain specified exceptions, now take place at 118 piasters to the dollar. As a surgical operation, the devaluation appears to have had marked success. The initial result was to raise prices of imported goods, but by early August import price indices had generally stabilized, total money in circulation decreased slightly, and black-market rates for dollars and gold sharply declined.

□ As a major step toward controlling the inflationary impact of United States piaster spending in Vietnam, the Department of Defense decided to place a ceiling on all its fiscal year 1967 piaster expenditures at the level reached by the end of fiscal year 1966. Affected are troop expenditures, contractor outlays, and other construction costs.

*effort
in the
coming year:*

The Government of Vietnam and the U.S. are determined to check inflation via a multi-faceted program designed to preserve the beneficial effects of devaluation.

□ The U.S. and the Government of Vietnam must continue to finance an adequate rate of imports, further improve the port and internal distribution system, prevent critical commodity shortages, and undertake further fiscal and economic measures to limit demand.

□ The Government of Vietnam intends to hold down total budgetary expenditures in 1967. The civil and military pay raise granted at the time of devaluation, together with the increasing momentum of social and economic programs, will undoubtedly force the 1967 Government of Vietnam budget above its 1966 level. Nonetheless, the budget will still be an austere one.

□ Government of Vietnam tax collections must be further increased. At the Government of Vietnam's invitation, a team of technical experts from the United States Internal Revenue Service is being sent to Saigon to assist in further increasing tax revenues. The United States assisted efforts to tighten customs inspections and collections will be continued. Tax and customs



Food for Peace corn is loaded on a horse-drawn wagon for delivery to a nearby hamlet in support of the nation-wide "Hog-Corn" program.

receipts are expected to be significantly above fiscal year 1966 levels.

□ Control over the rate of piaster expenditure generated by the U.S. military programs must be maintained. Given the continuing U.S. troop buildup, this will require offsetting measures to absorb more troop expenditures within official (non-piaster) facilities or outside Vietnam, and to limit in-country procurement of materials and wage payments.

□ Wage restraint must be exercised in all sectors of the economy.

*Breaking
the
Port
Bottleneck*

The buildup of U.S.—Free World forces beginning in 1965, coupled with increased non-military aid, created dangerous bottlenecks in the ports of South Vietnam. Only Saigon port could be considered a modern facility. Yet it was run-down and already overcrowded—and designed to handle only 150,000 tons a month. Other ports were small—some limited to shallow draft coastal ships and junks; they could not relieve the burden on Saigon port. As a result warehouses in Saigon became clogged, materials piled up on the docks, and ships backed up awaiting discharge even in other Pacific ports.

Breaking the port bottleneck became a key to successful Government of Vietnam—U.S. economic stabilization efforts as well as to the military campaign. Urgent measures were taken to clear supplies of all types through the ports, particularly Saigon.

*accomplishments
to date:*

The immediate port crisis has been overcome and port capacity is rising, though not yet rapidly enough to clear up the backlog.

□ The amount of cargo put through Saigon port monthly has more than doubled since last August. Military cargo handled increased from about 60,000 metric tons in August 1965 to over 170,000 metric tons in August 1966. Civilian cargo increased from about 130,000 metric tons to more than 210,000 metric tons over the same period.

□ The Vietnamese Army took over management of the port, with General Lan appointed Port Director, responsible directly to the Prime Minister.

□ In June 1966, the Government of Vietnam and the U.S. signed an agreement making the United States military responsible for receipt, discharge, and delivery to first-destination holding areas of government-to-government AID cargo as well as military cargo. Military Assistance Command, Vietnam and AID are advising General Lan on operations involving the entire port area. The United States Army Fourth Terminal Command is operating the U.S. sections of the port and assisting the Vietnamese in their sections. Port management has greatly improved.

□ By agreement with the Government of Vietnam, seven high-tonnage commodities (for example, fertilizer, cement, and galvanized iron sheet) will be procured in bulk by the General Services Administration and shipped through the military transport system.

□ The Defense Department has agreed to schedule a substantial part of AID cargo, such as the bulk commodities noted above, from the United States, via the military transport priority system. Thus the worldwide computerized management system of the Department of Defense for regulating movement of supplies will be used to smooth out arrival of cargo at Vietnamese ports. Military and civilian cargo will hereafter use a common priorities system.

□ Commercial cargo, including that financed by the U.S., is being better regulated. For example, to reduce congestion, the Government of Vietnam has decreed that all cargo must be removed from port warehouses within 30 days or be auctioned by the government.

□ Physical facilities at Saigon port have been greatly improved:

1. Fourteen additional deep draft buoy sites have been prepared, a floating dock for roll-on-roll-off unloading has been put into operation, and a 90-acre depot complex at Thu Duc has been constructed.
2. Roads and open storage areas have been constructed or repaired. More efficient traffic patterns have been laid out.
3. More barge discharge and transit facilities were opened.
4. Sheet steel piling—5,840 tons—has been provided for constructing LST and barge landing sites in Saigon and Qui Nhon.
5. Obstructions to navigation in the Saigon River have been removed.
6. Five heavy-duty hydraulic dredges for use in port construction have been sent to Vietnam.

□ Cargo handling and terminal operating equipment has been increased in Saigon and at other ports:

1. AID has procured or contracted for 552 trucks, 156 lighters, 13 tugs and 213 pieces of handling equipment to facilitate port operations. More will be procured.
2. We have obtained 32 new barges. Fourteen are in South Vietnam, and the remainder will be delivered soon.
3. Steel plate, for constructing 47 new barges in South Vietnam and rehabilitating 40 existing barges, has recently arrived.
4. Ten coastal vessels and an 800-ton-per-month junk fleet have been chartered to help move cargo from Saigon to other ports.

□ Through improvements made, deep draft ships can now discharge directly onto piers at Da Nang, Qui Nhon and Cam Ranh Bay.



Bridges are under construction on the Bien Hoa highway as part of the rehabilitation and modernization of the transport system.

□ Twelve U.S. Navy pontoon wharfs and 10 Bailey bridges have been procured to provide additional pier facilities at Da Nang, Nha Trang, Qui Nhon, and Quang Ngai.

□ A steel truss bridge is being constructed to provide two-way traffic in the Da Nang port area.

□ As a result of these measures, the capacity of ports other than Saigon has been increased from about 125,000 metric tons in August 1965 to more than 400,000 metric tons.

*effort
in the
coming year:*

Since requirements are still rising in both the military and civil sectors, port capacity may have to double again next year to keep up with demand. Many remaining obstacles to efficient port operation will have to be removed. For example, lack of sufficient deep-draft berths requires that most cargo be handled twice; the rate of discharge of civilian cargo is low partly because the civilian port of Saigon operates only 12 hours a day. Unloading slows down in bad weather because much cargo is discharged from anchorage using lighters or barges. Major efforts are under way to cope with all these problems.

□ Plans call for increasing the capacity of the Saigon port system to at least 650,000 metric tons per month by the end of 1967. This growth is necessary to cope with the expected surge in cargo arriving in South Vietnam.

□ Completion of the major Newport project and the Fish Market section of the Saigon port will release deep-draft berths now used for military cargo.

□ Additional barge berths and discharge sites will be constructed.

□ A fresh water storage facility for ships in port will be finished.

□ Erection of 676,000 square feet of new warehouse space is planned at Thu Duc, close to Saigon. That is floor space equivalent to about 14 football fields.

□ Port management will be further improved; enforcement of customs and port clearance regulations will be tightened. Lights for night operations are being installed at commercial docks.

□ First-destination warehouse facilities will be expanded to expedite port clearance.

□ Integration of AID and military cargo under the military sea transport system will be completed.

□ Documentation practices will be improved to assure more rapid handling of cargo documents, letters of credit, and customs receipts.

□ The feasibility of using high-speed unloading of bulk commodities, such as cement, grain and fertilizer, will be explored.

*Building
an Industrial
Base*

Although dependent primarily on agriculture, South Vietnam has developed an industrial plant that now contributes one-fourth of its gross national product. Its industries now fill the major part of internal needs for textiles, plastics, and home utensils. U.S. aid, plus that from other countries, has helped to construct or expand some 800 industrial plants employing over 75,000 workers. Further development is handicapped as yet by transport congestion and shortages of long-term capital, skilled labor, and materials. Industry is heavily concentrated around Saigon, where products are close to markets. Insecurity inhibits locating plants in many other areas.

**accomplishments
to date:**

- In fiscal year 1966 private Vietnamese firms were licensed to import \$16.8 million of industrial machinery under the Commercial Import Program. This measure of investor confidence included \$2 million in machinery for an auto tire plant, \$700,000 for two steel pipe plants, \$515,000 for a cement products plant and \$562,000 for the plastics industry. Other U.S.-made machinery was imported for plants producing chemicals, pharmaceuticals, glass and ceramics, and automotive batteries.
- AID assisted in the establishment of 15 new industrial ventures and the expansion of 70 existing facilities in fiscal year 1966.
- The Government of Vietnam has encouraged industrial development through favorable legislation, tax incentives, designation of industrial parks, and establishment of an Industrial Development Center to stimulate and finance new facilities. A 400 million piaster (\$3.2 million) loan from the Government of Vietnam revitalized the Industrial Development Center in 1966.
- Twenty-one American firms have invested a total of \$5 million in Vietnam, in partnership with local firms. One hundred non-U.S. firms act as agents for U.S. companies in Vietnam. Two American banks are opening branches.
- To relieve shortage of electric power, aggravated by the Viet Cong sabotage of power lines from the large Da Nhim hydroelectric facility built by the Japanese, work was finished early in 1966 on a 33-megawatt steam generating plant, 12.5-megawatt gas turbine generating plant and 4.5-megawatt diesel electric plant financed with U.S. loans at Thu Duc near Saigon.
- Ninety-one smaller power units totaling 5,160 kilowatts were installed in district capitals and large towns in fiscal year 1966.

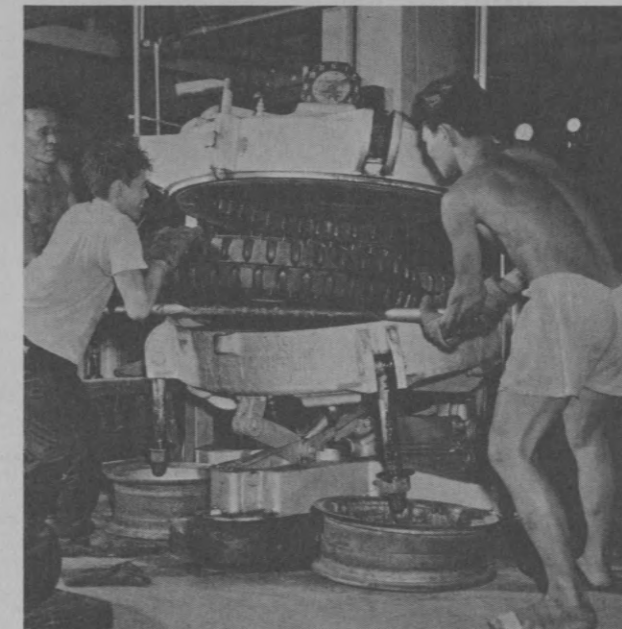


Workers weave, dye and finish textiles in a new plant at Tu Duc, seven miles outside of Saigon.

**effort
in the
coming year:**

Additional industrial investments can be expected in such fields as fertilizer, animal feed, paper, building materials, and small engines:

- Paper production capacity will be expanded from 18,000 tons per year to 35,000 tons in 1967.
- Construction has begun on a plant to produce concrete blocks and pre-stressed forms and poles, for completion in late 1967.
- Commercial Import Program-funded industrial projects in fiscal year 1967 are expected to approximate \$12 million. One major project under consideration is a pipe plant.
- USAID plans to establish a joint loan fund with the Industrial Development Center to assist in alleviating the current tight money situation for investment funds.
- A Bureau of Standards will be developed to test and improve the quality of manufactured goods.
- An additional 42 megawatts of electrical generating capacity will be placed in operation in Saigon during FY 1967, and design will be begun on a 125-megawatt steam generating plant at Thu Duc. Installed capacity of 140-megawatts to meet Saigon's expanding needs is planned for June 1967. A total of 5,800 kilowatts of capacity will be installed outside of Saigon under an urban-provincial program in addition to the rural electrification through cooperatives and under the Revolutionary Development program.
- The U.S. Marines are assisting the Government of Vietnam in clearing the An Hoa-Nong Son industrial area a few miles southwest of Da Nang. Further progress on this industrial development may be feasible in the next year.
- Further work on surveys, initial plans, and the start of construction is projected for Cam Ranh Bay, which offers attractive post-war possibilities for Vietnamese industry.
- Overall postwar planning for social, agricultural, economic and industrial development of Vietnam will get under way.



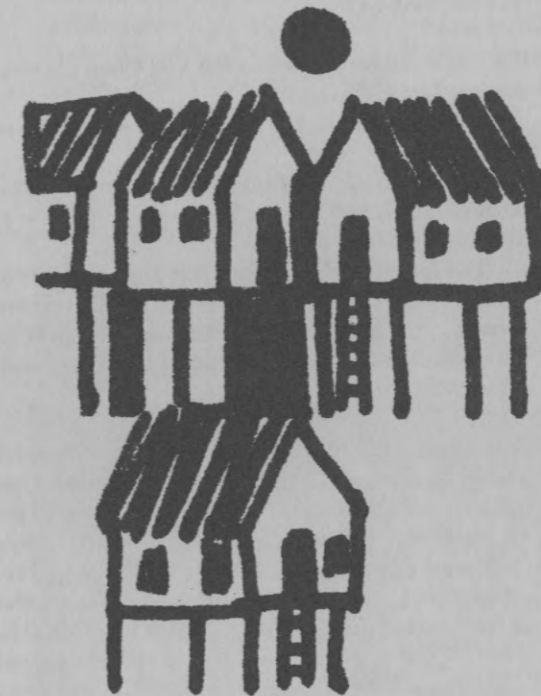
A truck tire is recapped at a Saigon plant.

*Revolutionary
Development:
The "Other War"
In the Countryside*

2

The Viet Cong have been able to sink their roots deep into the fabric of rural Vietnam. Insecurity, poverty, low health standards, lack of opportunity, social injustice, and land inequities have enabled the Viet Cong to exploit a rural feeling of alienation from the government.

The Revolutionary Development program must change all that—or else ultimately be judged a failure like its predecessors. As it has evolved, it focuses on gradually securing the countryside, eliminating terror and intimidation, and producing radical and constructive change in the lives of the people. Its aim is to dry up the source of Viet Cong local support and build a strong and progressive society from the hamlet up. It is what Ambassador Lodge has called "the heart of the matter."



The first prerequisite of Revolutionary Development, after main enemy military forces have been driven from an area, is adequate local security and elimination of the remaining Viet Cong threat. This has been primarily the function of Regional and Popular Forces, supported by the Revolutionary Development Cadres and civil police. Behind this shield, measures can be taken to reinstitute government processes and services, restore productive life among the inhabitants of an area, and develop national spirit and good government.

At Honolulu, the Vietnamese and U.S. Governments pledged full support to an intensified program of Revolutionary Development (then termed rural construction). They sought new emphasis on the effort to build democracy in the rural areas—an effort as important as the military battle itself. They emphasized the necessity of combining military and civilian plans so that the Revolutionary Development effort would not be made in a vacuum surrounded by Viet Cong.

For many reasons, the Revolutionary Development program has been relatively slow in gathering speed. The task of winning the “village war” is complex and takes time, as shown by the limited achievements of predecessor programs aimed at similar objectives. Among the reasons for the difficulties this program has encountered:

- It is a dagger pointed at the Viet Cong’s heart; thus the enemy is making every effort to thwart it.
- Adequate training of officials and cadre is essential; this has started, but it takes time.
- In many areas, the farmers have seen too many ill-thought-out programs abandoned in mid stream; they are watching and waiting before committing themselves to this one.
- The great buildup in main force enemy units in the last year made it essential that the United States and the Government of Vietnam concentrate troops in the highlands and other danger spots in an effort—now clearly successful—to “spoil” the planned Viet Cong and North Vietnamese “monsoon offensive.”

Nonetheless, there has been over the last several months a modest gain in secure hamlets and population. While “secure” in Vietnam is necessarily a relative term, our best estimate is that about 50 percent of the population was in reasonably secure areas at the end of 1965. By August 31, 1966, it is estimated that secure population had increased to almost 8,300,000, or over 55 percent of the total population. To take another standard of measurement, it is estimated that as of July 1, 1965, only 3,199 hamlets were “secure;” by June 30, 1966, this figure had risen to an estimated 4,054. This does not mean that all the other areas are under Viet Cong control. Much of the countryside is controlled by neither side or is in the process of being recovered by the allied forces. Our best current estimate is that some 24 percent of the population is still under Viet Cong domination. The remaining 21 percent is caught in the middle.

The key point is that the groundwork for an accelerated Revolutionary Development effort is being effectively laid, and better results are in prospect. As the Army of the Republic of Vietnam regular army and U.S.-Free World military forces achieve continued success in driving back the North Vietnamese and Viet Cong main force units, an increasing proportion of regular units of

the Regional Vietnam Auxiliary Forces can help provide the indispensable security base for Revolutionary Development. The Government of Vietnam’s Revolutionary Development program is also gaining momentum. Several facets of this program in the countryside are discussed below, and others in the section which follows.

The New Revolutionary Development Ministry and Its Cadre

Forerunners of the Revolutionary Development program, regardless of their conceptual soundness, failed primarily because the Viet Cong-North Vietnam Army destroyed the Government of Vietnam’s ability to provide essential local security. However, management deficiencies also contributed. Inter-ministerial committees were created, found cumbersome and difficult, and abandoned. Councils chaired by the Prime Minister, and composed of top civilian and military leaders, were unable to cope on a daily basis with the breadth and complexity of the problems involved.

In August 1965 a Ministry of Rural Construction was formed to administer the program now called Revolutionary Development. A dynamic new Minister, Major General Nguyen Duc Thang, took over shortly after its formation. On July 12, 1966, he was elevated to Commissioner General for Revolutionary Development and given supervision over ministries for Public Works, Agriculture, and Administration. An integrated management system at the national level is within sight.

One essential building block in this program is Vietnam Government teams—called Revolutionary Development Cadre—working directly with the rural population. The Revolutionary Development Ministry is training them at two centers which the United States assists in supporting. This program grew out of the Political Action Teams begun in a few provinces in late 1964. One of the training centers, located at Pleiku, trains only Montagnards; this is a major step forward in the effort to bring these tribal people forward into the 20th century. The second center, at Vung Tau, trains ethnic Vietnamese for work in all provinces.



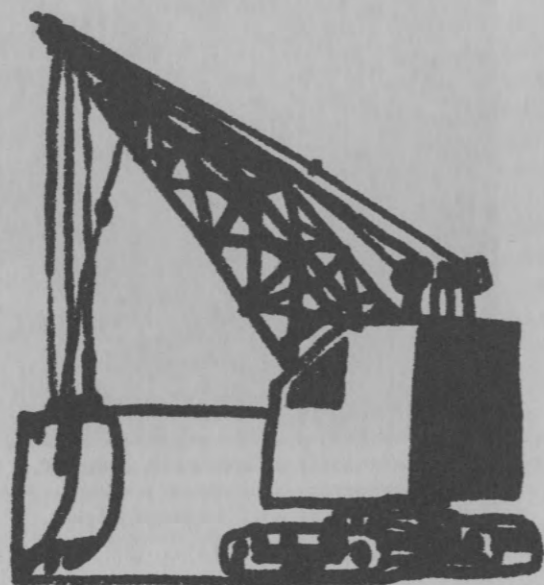
Ballots are counted on Election Day in Binh Tay, in the presence of the Revolutionary Development team and a few spectators. Doing the tabulation are government officials, the outgoing chairman of the Hamlet Council, and the Revolutionary Development team leader.

The Revolutionary Development Ministry, operating through the province chiefs, also has allocated major sums for local self-help projects—to assist rural people to help themselves. Revolutionary Development Councils, tying together the many aspects of Revolutionary Development, have been created at region, division, province, and district levels. The Revolutionary Development Minister has twice visited all of the provinces to explain the Revolutionary Development concept and eliminate bottlenecks. Working relationships between the field and Saigon have been strengthened.

*accomplishments
to date:*

- Secure population in the four National Priority Areas has increased by about 230,000 since the beginning of 1966.
- For the first time in years, provincial Revolutionary Development budgets were approved and authorization was given to expend funds at the beginning of calendar 1966—the fiscal year for the Government of Vietnam.
- During the first half of 1966, 1,252 self-help projects were completed, compared to 521 during the same period in 1965. The people themselves contributed almost 6 million piasters (\$48,000) and over 235,000 man-hours of labor to these projects. In July alone, 449 more self-help projects were completed.
- One month's statistics—for July 1966—show the accelerating Revolutionary Development pace:

966 more hamlet school classrooms completed;
 3651 Vietnamese families resettled (30,736 for the year);
 655 Montagnard families resettled (3,995 for the year);
 184 kilometers of roads completed;
 9 irrigation dams, 13 breakwaters and 8 dikes finished;
 39.7 kilometers of irrigation canals dug;
 5,341 farmers given agricultural extension training;
 1,637 pigs, 3,393 chickens and 4,100 ducks distributed as part of the animal husbandry program;
 84,161 kilograms of seed distributed.



The number of Revolutionary Development Cadre trained is growing rapidly, and the quality of training has been improved by a 13-week training course; Cadre class I of 4,518 students completed training in May at the Vung Tau center. These cadre, in 76 teams of 59 men each, have returned to their home provinces and are engaged in Revolutionary Development activities. Total cadre strength has reached 28,539, consisting of 24,766 Revolutionary Development Cadre operating in all provinces and 3,773 Montagnard cadre in the Highlands.

□ U.S.-Free World military forces have made a major contribution to Revolutionary Development via *civic action* projects. In July alone a sampling of civic action reveals:

- 24 bridges built or repaired;
- 16 medical dispensaries erected;
- 5 market places built;
- 33 kilometers of road constructed or repaired;
- 47 school classrooms built;
- 308,397 medical treatments given;
- 3,406 surgical operations performed;
- 8,855 immunizations given;
- 10,134 sewing kits distributed;
- 4,914,054 piasters (\$39,310) contributed.

*effort
in the
coming year:*

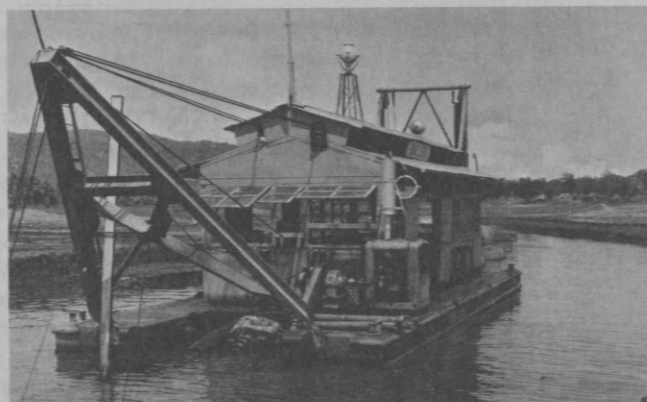
Successful military operations by the Government of Vietnam-Free World Forces—now numbering one million—are creating conditions more favorable to Revolutionary Development. The Viet Cong, however, will do everything within their power to defeat the Revolutionary Development effort, which poses the greatest long-term threat to their existence. Hence to the extent possible military operations will be designed to provide security in and around areas of importance, population centers, vital installations, and critical roads, railroads and waterways. Military success permits Revolutionary Development to proceed. The focus during the coming year will be on overcoming the many problems and deficiencies which still plague the Revolutionary Development effort in the countryside, and on increasing the tempo of operations:

- Two more cadre classes will graduate from Vung Tau in 1966. The second class, in training now, will provide 38 more 59-man teams, and 158 units of 19 men to reinforce existing 40-man teams already working in the field.
- Management deficiencies at all levels of the complex Revolutionary Development effort will be tackled. At the national level, better coordination among the many ministries involved is essential; at the local level, district government needs to be strengthened to respond to demands stimulated by Revolutionary Development Cadre operations.
- Manpower resources for Revolutionary Development, especially for local security forces and Revolutionary Development Cadre are deficient in quality and in some areas in quantity. A manpower coordinator has been added to the U.S. Mission staff to work out recommended priorities.
- More attention will be given to securing critical roads, railroads, and waterways. Obstacles such as poor or closed roads, inadequate transportation and port congestion impede the flow of materials needed for local Revolutionary Development activities. The use of airlift is being increased to overcome obstacles temporarily. Construction capabilities are being expanded to repair roads and waterways.

- Efforts to arouse the interest of the Vietnamese peasant in Revolutionary Development are being stepped up through information programs, visits by government leaders, and instructional workshops for provincial and district officials.
- Tentative 1967 goals are now being developed for Revolutionary Development. At present they call for a substantial increase in the number of secured hamlets; addition of 1 to 2 million people to those in secured areas; a major increase in the number of Revolutionary Development Cadre teams; greater emphasis upon education, health, people's self defense, self-help, rural electrification, Revolutionary Development Cadre and agriculture. Quality rather than quantity will be sought. High-impact projects designed to reach the maximum number of people will be stressed.

**Reopening
The
Lifelines
of The
Countryside**

Basic to the Viet Cong strategy has been interdiction of roads and waterways. The Viet Cong have sought to cut or control transport routes, prevent surface military movement, disrupt the village market economy and supply of cities, exploit remaining civilian traffic by setting up tax collection roadblocks, and isolate the people. This effort at strangulation included canals and waterways in the strategic delta region, where civilians could hardly travel except at the sufferance of the Viet Cong. It is extended to the strategically important Saigon ship canal where ocean-going vessels were vulnerable to Viet Cong guerrillas operating in the mangrove swamps along the shore.



Dredging keeps waterways open in the Mekong Delta region—the most populous area of South Vietnam.

Friendly control of roads and waterways had to be improved—for military security units to have a secure base and logistic support system; for revolutionary development to proceed in its efforts to win the people; for government influence to grow in the countryside. This has become a prime indicator of progress in pacification.

**accomplishments
to date:**

The campaign to open roads and waterways is a U.S. and Army of the Republic of Vietnam military effort, but its contribution to the civil side merits mention. By January 1, 1966, it was estimated that, as a result of military actions over the preceding six months, 30 percent of the major roads in Vietnam were relatively secure. A new system for classifying relative security was then instituted:

Red: Closed, either by Viet Cong-North Vietnam Army military control of the area or by extensive physical interdiction. Requires major military operation or engineer effort to open.

Amber: Marginal. Used by Republic of Vietnam, U.S.-Free World forces employing thorough security measures. Used by civilians subject to Viet Cong taxation. Frequent incidents occur.

Green: Controlled by Republic of Vietnam, U.S.-Free World forces. Minimum security measures required. Isolated incidents may occur.

A major effort was launched in 1966 to clear more roads. A series of special operations known as ROAD RUNNER and BUSHMASTER has been targeted on improving and extending road security; COUNTY FAIR-type operations also contribute.

- In ROAD RUNNER, multiple routes are used simultaneously to make it difficult for the Viet Cong to concentrate for an ambush.
- BUSHMASTER makes use of ambushes to upset Viet Cong ambushes along communication routes.
- COUNTY FAIR is designed to smash the local Viet Cong administrative structure and tax collection organizations and the guerrillas that give them muscle. It contributes to overall area control—the best way to make travel along roads and waterways safe.

The following results have been achieved; they show a trend rather than a precise measure of progress:

	GREEN	AMBER	RED
February 8, 1966	32%	41%	27%
June 30, 1966 (Most recent report)	36	26	38
August 31, 1966 (Estimate)	40	60	

In addition, 34 percent of South Vietnam's 1,200 miles of railroad are now open, i.e. in approximately the green condition described for roads.

To secure the waterways, a further series of measures has been taken. For the Saigon ship canal, U.S. amphibious operations such as JACKSTAY and LEXINGTON I and II, naval gunfire and air attacks have been undertaken, as well as numerous Republic of Vietnam operations in the mangrove swamps along the Saigon ship canal.

Armed helicopters and light observation aircraft are routinely kept airborne over ships as they transit narrows along the Long Tau and Soi Rap Rivers (i.e., the Saigon ship canal).

Twelve United States Navy minesweepers have been introduced to supplement the Vietnamese Navy minesweeping operations of the river approaches to Saigon and the Nha Be petroleum, oil and lubricants depot. As a result, the enemy's capacity to seriously disrupt ship traffic into the Saigon port has been significantly reduced.

For other waterways Operation GAME WARDEN, using 71 newly introduced patrol boats, covers the river approaches to Saigon and the Mekong and the Bassac waterways to deny their use by the Viet Cong and suppress Viet Cong tax collection. Many Viet Cong tax collection stations have been destroyed; Viet Cong traffic now moves much less freely than it did a year ago. Naval, police and customs agencies have been organized to deal with river control in a more integrated manner. The Government of Vietnam police now serve aboard United States naval ships conducting river patrols.

Road and waterway security can never be absolute so long as even a minor guerrilla threat exists. A single man with a rifle or a command-detonated land or water mine can render a route insecure. A green security condition requires the continuous presence of friendly forces as patrols and in static guard posts at critical points such as bridges. Other military operations must keep large enemy units entirely out of the area.

Police activities consist of various major programs: including *Regular police* help to provide security and order in hamlets, villages and cities and participate in the Resources Control Program in order to regulate illegal movement of people and supplies; *Police Field Forces* are targeted against marauding bands of Viet Cong propagandists, tax collectors, kidnapers and killers; and the *Police Special Branch* carries out an intelligence and operational role against the Viet Cong apparatus.

*effort
in the
coming year:*

It is hoped that by the end of 1966 roads in the green security category can be increased to around 50 percent. Waterways, especially the Saigon ship canal, will be made safer for friendly traffic and Viet Cong—North Vietnam Army use of the critical Mekong River and Bassac River complex will be denied to a large extent.

Operation GAME WARDEN will be stepped up by increasing the number of U.S. ships involved to 120 from 71.

By the end of 1967 it is tentatively estimated that many additional roads can be largely secured (i.e., in green or amber condition), such as Route 1 from Saigon north to the Demilitarized Zone, Route 15 from Saigon east to Vung Tau, Route 4 from Saigon south to Ca Mau, Route 19 from Qui Nhon west to Pleiku, and Route 11 from Da Lat to the seacoast.

Restoring Law and Order

In normal circumstances the principal function of civil police is to maintain law and order, protect lives and property, detect and suppress illegal activities, and perform various regulatory functions ranging from traffic control to border patrol. On top of all these functions, the National Police of Vietnam support the national effort to overcome the Viet Cong. While the armed forces seek out and destroy the enemy military forces, the police gather intelligence on Viet Cong clandestine operations and movements, maintain public order in urban and rural areas freed of overt Viet Cong influence by military forces, and seek to prevent the movement of men and material into Viet Cong hands.

Beginning in 1964, revitalization of the police has received high priority, with support from AID. By 1966 the police were carrying an important share of the counter-insurgency effort. Significant improvements have been made in the police organization within the last year. More and more the police are spreading out from the cities and are combatting the Viet Cong in the rural areas.

accomplishments to date:

- Total police strength has grown from 42,000 a year ago to 56,000. Over 2,900 policemen and policewomen are presently receiving training. Until recently draft age men were ineligible for the police; opening of the 21-29 year bracket will increase the flow of recruits.
- The tactical *Police Field Force*, consisting of small, highly mobile, lightly armed units capable of controlling low levels of armed banditry, now numbers 3,000 trained and equipped men. Twenty-three companies have been organized, 15 are operational and the remainder are undergoing training. Captured documents and prisoner interrogation reveal that the Viet Cong in the provinces close to Saigon consider the Police Field Forces a grave threat and have made them a priority target.
- A countrywide *police communications net* of 3,400 radios now links regional directorates to province and district police offices. During the last year 347 radios were added to the resources control net, and 304 were issued to the police field forces. The regular police sponsored village-hamlet network now has 10,000 two-way radios.
- Police mobile patrols* in Saigon increased 30 percent in fiscal year 1966. Boat patrols of waterways in and around Saigon were inaugurated.
- The police Special Branch has been strengthened. Prisoner Interrogation Centers now exist in 31 provinces; hamlet informant nets have been greatly expanded. Good intelligence pays off. One hamlet informant provided information leading to the arrest of 27 Viet Cong agents.
- Police actions against the Viet Cong infrastructure were more effective than in any previous period in recent years. During the first half of 1966, police arrested 6,960 known or suspected Viet Cong, killed 288, and wounded 52.



□ Since 1964, police have carried on an increasingly intense program of *resource control* using checkpoints, identity cards and family census measures to prevent movement of men and materials to the Viet Cong. The system now consists of 6,800 trained personnel operating 813 checkpoints. This program is as yet far from being fully effective, but the frequency of Viet Cong attacks against checkpoints and personnel tends to confirm intelligence reports that it is hurting the Viet Cong.

□ Approximately 3,000 police man *static, mobile and marine checkpoints* in the Saigon area and the seven surrounding provinces. The year 1966 has seen an extension of the resources control system to the Delta; police are operating 311 checkpoints in the upper and lower Mekong area and aboard patrol boats in the network of Delta rivers and canals.

□ A major development during 1966 has been increasing cooperation between the military and police in resources control. National Police are assigned to each of the 71 U.S. Navy vessels involved in Operation GAME WARDEN patrols of the major Delta waterways.

□ Resource control achievements for the first five months of 1966 include: *Persons apprehended*—7,035 known or suspected Viet Cong; 27,398 draft evaders; 4,146 military deserters; 28,290 illegal residents. *Commodities seized* include 2.7 million kilograms of food, and substantial volumes of medicine, firearms and ammunition, and other equipment.

□ 7,500,000 persons have been registered and given identification cards, since the program began in 1958. Identification cards are an integral part of the population control program designed to reduce the support the Viet Cong-North Vietnam Army can obtain from the local populace. The present



On an AID-built highway in Saigon, uniformed members of the Vietnamese National Gendarmie Highway Patrol Unit watch an American advisor demonstrate accident investigation methods.

identification card method was introduced in 1960 to identify such elements as Viet Cong, military deserters, draft evaders, criminal fugitives, and illegal residents.

□ Identification card checks from June 1, 1965, to June 30, 1966, contributed to the detection of 13,456 known or suspected Viet Cong, arrest of 5,771 deserters, apprehension of 50,309 draft evaders, and identification of 58,988 illegal residents. Even without an adequate central records facility for cross-checking personal data with intelligence, police and military agencies, some 87 Viet Cong and 676 military deserters have been detected solely by the use of identification card information.

□ There are 120 American public safety advisers now advising the Vietnamese police in various fields. Commodity assistance has been furnished the police by the United States and other Free World countries in the form of communications equipment, vehicles, boats, laboratory and training equipment, and weapons and ammunition.

The National Police Academy at Thu Duc, with American help, is almost completed. *A Field Forces Training Center* at Trai Mat is under construction and already is being partly used. About 700 police have received training abroad in the United States and other countries.

*effort
in the
coming year:*

The police force, a growing team that only within the last two years has received priority attention, has many deficiencies, Management needs strengthening; leadership is thin, and frequent shifts further weaken efficiency. The police must compete with the armed forces for qualified personnel. Training facilities limit the rate at which the police can expand. Police field forces represent a new concept which all province chiefs do not fully understand. But the Government of Vietnam, with U.S. help, is seeking to improve police capabilities. Plans for 1967 include:

- Expanding police strength at least to the 72,000 which was originally the 1966 goal. Expanding Police Field Forces toward a goal of 8,500 by January 1, 1967.
- Putting 60 Police Field Forces companies into the field—at least one company in every province by mid-1967.
- Adding 2,500 radios to the existing 10,000-unit village-hamlet network.
- Increasing the police training capacity.
- Stepping up Police Special Branch activities against Viet Cong infrastructure.
- Registering and issuing new identification cards to 2.5 million people. All will be fingerprinted and photographed. To hamper Viet Cong use of youth for liaison agents and couriers, the registration will include 15-to-18-years-olds.

Building and training staff for the *National Record Identity Center* to classify, cross-reference, and search 10,000 sets of fingerprints each day.

*Giving Guerrillas
A Second Chance:
The Chieu Hoi
Program*

Since 1963 the Government of Vietnam has offered the Viet Cong guerrillas a general amnesty program known as *Chieu Hoi* (Open Arms). In no other area of the Government's efforts have the results been so impressive in demonstrating the increasing disillusionment and disaffection in the Viet Cong ranks.

**accomplishments
to date:**

- From the program's beginning in early 1963 to the end of August 1966, over 40,000 Viet Cong have voluntarily left the jungles and swamps, surrendered, and undergone the process of reintegration into Vietnamese society—which is the heart of the program.
- In the last 12 months, steady, and in some respects spectacular, improvement in the program's effectiveness has been achieved. In the 12 months ending August 1, 1966, some 17,445 Viet Cong returned to the government, compared with 21,315 during the preceding 30 months of the program.
- In a special campaign conducted over the Vietnamese New Year 3,462 returnees came in, carrying 709 weapons plus miscellaneous material and documents.
- The total for 1966 up to August 26 is 12,106. That compares with 11,124 that returned to the government during all of 1965. The rate of guerrillas seeking amnesty is now 50 a day.
- Of the above 12,106, about 8,000 were members of the military arm of the Viet Cong, and over 3,800 were civilians attached to the Viet Cong.
- The Government of Vietnam, with United States aid, has built *Chieu Hoi*, reception centers in every province and is now in the process of improving or expanding the older ones. During the period immediately following their arrival at the centers, the former Viet Cong are given courses which include political indoctrination and practical skills, and are assisted in beginning a new life, sometimes in the hamlets and sometimes as laborers and semi-skilled workers in the cities.
- Field personnel have been sent to the provinces to seek out the Viet Cong through every channel of communication available and to convince them that if they remain in the jungles and swamps they have no future, but if they return to the government they can help build a new and free Vietnam.



These former Viet Cong, who voluntarily surrendered, receive new identity cards from Phu Bon Province Chief after completing rehabilitation under the Chieu Hoi program.

- The Joint U.S. Public Affairs Office has helped the Government of Vietnam mount a major informational support program, using printed materials (leaflets, posters, banners and pamphlets), airborne and ground loudspeaker broadcasts, and special radio and TV programs. In the last week of August, 1966, more than 45 million leaflets were dropped over Viet Cong and North Vietnam areas.
- The Viet Cong have shown intense sensitivity to these efforts urging the Viet Cong and North Vietnam Army infiltrators to rally to the government. Current Viet Cong instructions to their troops are to drown out loudspeakers by beating on pots and pans, and to collect and burn leaflets before reading.

**effort
in the
coming year:**

The importance of the *Chieu Hoi* program cannot be overestimated. Hence it is planned to:

- Increase substantially the amount of funds available.
- Provide maximum needed material assistance, particularly in the supply of roofing, cement, and other material for new housing for the returnees, in transportation and distribution of Food for Peace rice to returnees in the centers, in expanded vocational training, and in the resettlement of returnee families.
- Double the capacity of the national reception center, to 1,000, and complete the construction of 14 more provincial and district centers.
- Expand the program of special armed propaganda teams of former Viet Cong, used to recruit additional Viet Cong returnees.
- Continue the campaign of leaflets, millions a week.

The 1967 aim is to double once again the number of Viet Cong returning to the Government of Vietnam.



*Caring
For War
Victims
And Refugees*

One result of the increased tempo of military operations since 1964 has been a massive movement of peasant families seeking refuge in more secure territory under Government of Vietnam control. More than a million have migrated since the fall of 1964. This steady influx swamped existing facilities for emergency care and faced the Government of Vietnam with a task of vast dimensions.

To meet these crying human needs, the Government of Vietnam launched a major emergency program. AID, the U.S. military, U.S. voluntary agencies, and other Free World countries have joined in assisting the Government of Vietnam to cope with this humanitarian task. Its components include temporary housing, supplies of clothing and household goods for those forced to abandon their belongings, a temporary subsistence allowance for emergency feeding, medical and health care, primary schooling for children, vocational training in new skills, resettlement, and reintegration into the Vietnamese economy.

In the past six months the Government of Vietnam response has been increasingly effective—particularly since the appointment in February 1966 of a Special Commissioner for Refugees, Dr. Nguyen Phuc Que. His Special Commissariat provides a focal point for refugee programs that were previously diffused among the Ministry of Social Welfare, the Ministry of Rural Construction, and other agencies.



Phu Yen Province refugees will live in these temporary quarters at Cam Ranh Bay until they can build their own homes in the valley of Suoi Hoa.

*accomplishments
to date:*

- In the last 12 months, *temporary shelter has been provided to over 460,000 refugees.*
- In the same period *almost 280,000 refugees have been resettled*, either in new locations or by return to their native villages. The number of incoming refugees exceeded the number of those resettled, so the total in temporary encampments rose during the year from 320,000 to over 500,000.
- For calendar 1966 the Government of Vietnam has budgeted over 1.1 billion piasters (approximately \$9 million) for refugee relief payments, housing, resettlement grants, schools, and vocational training, and other program costs.
- In fiscal year 1966 the U.S. programmed \$22.5 million for Vietnam refugee relief, including \$10.4 million in AID funds, \$7.9 million in Food for Peace commodities, and \$4.1 million from other related programs (health, agriculture, education, logistics, etc.).
- The Special Commissioner for Refugees has asked Province Chiefs to review their needs for the construction of temporary refugee housing, and has established minimum standards for refugee camps (one dispensary, two wells, and twenty latrines for every 100 refugee families and one classroom for every 100 refugee children). The Government of Vietnam has increased refugee relief payments from 7 piasters (about 6¢) per person per day to 10 (about 8¢), or 5 piasters (about 4¢) and 400 grams of rice per person per day.
- In Quang Tri, one temporary refugee center is 80 percent completed and two others are programmed. In Quang Ngai, 500 housing units are planned, and materials have been delivered for 300 of these. In Tay Ninh Province, 150 units have been completed in addition to 13 other units under self-help projects, and an additional 100 units are under construction. In three districts in Binh Dinh Province, a total of 200 housing units are under construction; 300 have been completed.

104 temporary classrooms for refugee children had been completed as of the end of June 1966, and 60 more were under construction, out of 269 planned for 1966. In many provinces permanent structures are being built or expanded under the new hamlet school program to serve both refugee and non-refugee children.

Short-term vocational training programs for refugees have been started at five polytechnic schools operated by the Ministry of Education, and the Ministry of Labor has undertaken short courses in masonry and construction trades.

Several pilot inter-provincial resettlement projects are under way.

In mid-May, nearly 1,000 refugees were resettled from Phu Yen Province to the Cam Ranh Bay area. Food and temporary housing were furnished. Work is available in the area, and refugees will build their own permanent housing with materials furnished by the U.S. and the Government of Vietnam. Each family will be provided with 600 square meters of land for house and garden. Another resettlement project in Dong Lac on Cam Ranh Bay will accommodate an initial group of 300 refugee families. This project is co-sponsored by the Government of Vietnam, the U.S., the Vietnamese Confederation of Trade Unions, and the U.S. International Union of Electrical Workers. The Assistant to the President of the union participated in groundbreaking ceremonies for this project, and presented the Confederation with the initial \$15,000 of the union's contribution.

**effort
in the
coming year:**

The goal for 1967 is to expand refugee relief and raise the standards of care and rehabilitation to the levels established in 1966 as targets.

- Many refugee facilities have been hastily erected to meet sudden inflows. Additional construction will be undertaken to provide health and educational facilities and improve housing standards.
- Additional refugee staff will be recruited and trained, and the rate of resettlement will be accelerated.
- The U.S. and the Government of Vietnam plan 50 *vocational training and community centers* near refugee camps with large populations. Vocational training will be given in simple skills, home improvement and child care, agricultural practices and blacksmithing. The centers will offer also sewing, health, sanitation, and literacy classes for the rank and file of the refugee camp population.
- New ground must be broken in finding employment opportunities for refugees. While many may return to agriculture, continuation of the war will make this impossible for others for the time being. Further vocational training will help. Handicraft and cottage industry cooperatives will be organized.

Free World contributions to refugee relief will increase. The Federal Republic of Germany's new refugee aid programs, totaling approximately 25 million Deutschmarks (\$6.25 million), will include assignment of 25 experts to assist in the construction of refugee centers, erection of a refugee village near Saigon to accommodate about 300 families, and establishment of a social welfare training center. Germany also has entered into an agreement with the Knights of Malta, under which the Knights will provide a multi-purpose team, or teams, for refugee camps.

New Zealand plans to increase—from 8 men to 14—the strength of the surgical team which has been serving refugees in the Qui Nhon area, provide two or three mobile teams to work in refugee camps in the area, and furnish four or five vocational training instructors.

- U.S. voluntary agencies will assume an even larger humanitarian role (see next section).



**The Public
Joins In
Through
U.S. Voluntary
Agencies**

In Vietnam today, the American people are once again expressing their concern for the suffering of their fellow man. They have responded to the plight of the Vietnamese people by contributing to and through U.S. voluntary agencies food, shelter, clothing, medical assistance—and hope—for millions of men, women and children in South Vietnam. These voluntary agencies serve as essential and valued partners to the Government of Vietnam.

**accomplishments
to date:**

- At present 29 U.S. voluntary agencies, with over 400 American staff members, are directly engaged in relief and rehabilitation programs in Vietnam. Of these 29 agencies, 18 are directly involved in refugee relief activities.
- More than \$6 million in funds has been donated by the American people (plus an additional \$13 million worth of clothing, medical supplies, school equipment and other material) to the voluntary agencies for emergency relief.
- In the past year, U.S. voluntary agencies have distributed over 83 million pounds of Food for Peace commodities to feed one and one-half million needy Vietnamese. Essential to the agencies' activities is a partnership with the U.S. Government, which defrays the cost of the ocean transportation of the supplies distributed by the voluntary agencies.
- In refugee relief programs, the number of voluntary agencies has increased from 7 to 18 in the past year, and their staffs have increased from 50 to more than 150. Vietnam Christian Service (a joint program of Church World Service, the Mennonite Central Committee and Lutheran World Relief), for example, is quadrupling its staff of doctors, nurses, social and community workers in Vietnam this year.
- A seven-man team of experts, jointly supported by the American Red Cross and AID, has arrived to operate model refugee camps for the training of Vietnamese Red Cross personnel. This program will be supported in large measure by contributions by the American people to the Red Cross.
- Countless other Americans have sent donations through Army Post Office shipments to individual servicemen and units stationed in Vietnam, and through the Navy's "OPERATION HANDCLASP."

**effort
in the
coming year:**

- Continue and increase support to the relief activities of the voluntary agencies, particularly for the half-million refugees in camps.
- Expand the Food for Peace program to assist three million people—the food and the funds from the sale of food to assist in relocation, self-help and civic action, refugee relief, school lunches, and maternal and child feedings.

*Revolutionary
Development:
Functional
Programs
and Institution
Building*

3

Aside from those programs already discussed are the efforts to strengthen key elements of the Vietnamese economic and social fabric—agriculture, education, public health and medicine, government infrastructure. These programs have a major impact on the countryside. They are an integral part of Revolutionary Development.



*Improving
The Lot
Of The
Farmers*

Vietnam's predominantly rural population—85 percent of the total population—has borne the brunt of the war. Farmers have had to leave their ancestral lands to escape Viet Cong terror and fighting. The Viet Cong have seized crops for their own use or for tax levies. Viet Cong interference and declining production have drastically reduced shipments to the cities and towns. But the Government of Vietnam, with U.S. help, has mounted a growing effort to help revive Vietnam's agriculture. Despite wartime disruption, progress is being achieved. Major credit is due to the 1,000-man staff of the Government of Vietnam Agricultural Extension Service and to the U.S. agricultural advisers who work with that staff and with Vietnamese farmers in all 43 of Vietnam's provinces.

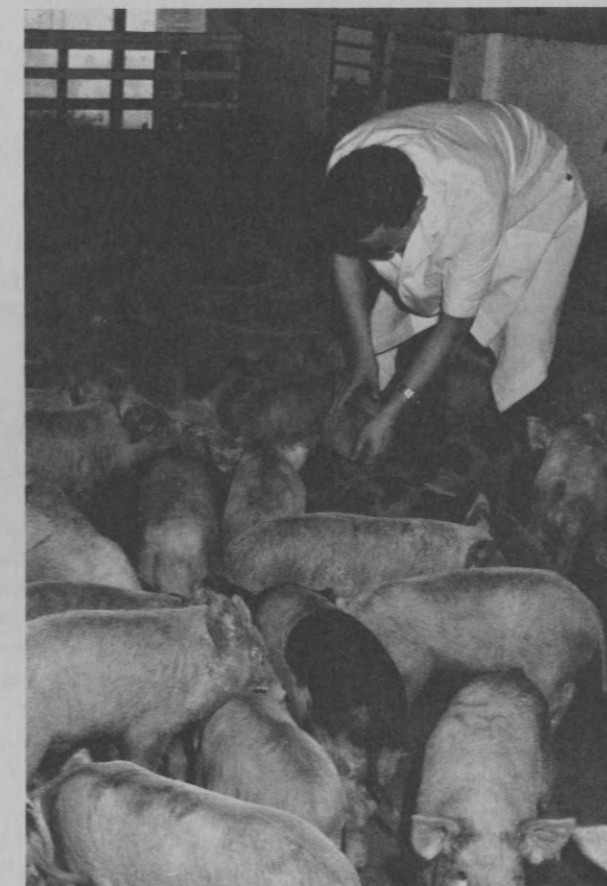
*accomplishments
to date:*

- With U.S. help, the Ministry of Agriculture has conducted an extensive educational program, including distribution in 1965 of 3.1 million educational leaflets. It is planned to distribute some 4.7 million more this year.
- During 1965, some 375 three-day agricultural training courses were held for 5,000 farmers and local officials. Over 5,000 half-day and one-day training meetings were held for about 150,000 farmers.
- Young farmers' "4-T Clubs," patterned after the American 4-H Clubs, have risen in membership from 1,200 in 1965 to 2,200 this year, and have over 80,000 members. Membership should surpass 100,000 during the coming year.
- Fertilizer use is being expanded. In 1962 only 100,000 metric tons of chemical fertilizer were used. By 1965 some 700,000 farmers used approximately 276,000 metric tons of fertilizer on 1,976,000 acres, and received about 1.5 billion piasters (\$12 million) in additional income. Major efforts are being made to improve fertilizer distribution. Over 10,000 demonstrations of how to use fertilizer are planned for 1967—twice as many as in 1965.
- Fifty-nine District Farmers' Associations with 244,000 members, and 250 farmers' and fishermen's cooperatives have been organized. In 1965 approximately 66,000 metric tons of fertilizer and 50,000 metric tons of corn were sold to 155,000 farmers through cooperatives and farmers' associations.
- Vietnamese research stations have tested and distributed new varieties of seed. Approximately 300 tons of improved corn seed, 40 tons of soybean seed, 150 tons of peanut seed, 250 million sweet potato cuttings, and eight million seed pieces of superior sugar cane were distributed to farmers in 1965.
- Farmers have become enthusiastic about new crops and techniques. The success of soybean plantings has prompted Mekong Delta farmers to request help in planting 50,000 acres in the next growing season.
- Vietnamese and American specialists have trained and worked closely with farmers to prevent losses from insects, disease, and rats. About 1,400,000 acres were treated for insects and disease in fiscal year 1966, and 20 tons of poison were used to kill about 10 million rats. Losses from these causes, estimated at 30 percent in 1961, have fallen to 16 percent this year.
- Construction and repair of irrigation canals has continued despite the war. In 1965 some 24 miles of new irrigation canals were completed, 15 miles were rehabilitated, and 42 dams were built or restored. About 70,000 acres were irrigated in 1965, and 78,000 additional acres are expected to be irrigated in 1966.
- Success in improving hog quality and output is especially notable.

Hog production grew from 1.7 million in 1963 to 3 million in 1965, and the average weight increased from 130 to 220 lbs. Part of this is due to the "Hog-Corn" program whereby a farmer is given three small pigs, eight bags of cement for building a pig sty, and a supply of U.S.-grown surplus corn. One pig is marketed after it is grown and the money is returned to cover the cost; the other two pigs are kept for breeding. Over 18,000 fine quality Yorkshire and Berkshire pigs were distributed in 1965, and 26,000 will be distributed in 1966.

□ Fishing—a major source of cash and protein—has greatly expanded. The Vietnamese Inland Fisheries Service teaches farmers how to build and use fish ponds, which with fertilization and supplemental feeding using low quality grain can produce 10 times the amount of fish of a natural pond. Some 27 million fingerlings have been distributed for stocking. Present hatchery capacity is over three million fingerlings.

□ The offshore fish catch has expanded from 165,000 metric tons in fiscal year 1959 to around 400,000 metric tons in fiscal year 1966. This growth has been due to better techniques, new wharfs, nylon nets and motors. Some 12,000 of 57,000 fishing boats are now motorized, largely through AID programs.



Evidence of improvements in hog quality and numbers under the "Hog-Corn" program.

□ *Much has been done to improve the lives of people in rural communities.* In 1965 Vietnamese and United States home economists conducted home improvement programs with 23,600 families, distributing 1,000 sewing machines. Home Improvement Clubs, for Vietnamese rural women, increased from 1,000 in 1965 to 1,200 in 1966, and membership rose from 25,000 to 30,000.

□ *A rural electrification program* through three selected cooperatives will begin this fall to bring electricity to 144,000 people in the countryside.

□ *Rural water supply has been greatly improved.* AID, supplying rigs and technicians, has worked closely with the Government of Vietnam Directorate of Water Supply. In fiscal year 1966, there were 80 wells and 60 potable water distribution systems installed in rural villages and district towns. An estimated 3.3 million people have benefited since the program began.

□ *In its land reform program,* the Government of Vietnam is proceeding with distribution of 1.2 million acres of expropriated and government-owned land, much to be given to refugees. A pilot program involving 14,000 acres is being planned in An Giang Province, using aerial photography for a thorough cadastral survey to permit the issuance of titles. The land will be divided into individual farm units, but developed as a controlled irrigation area with continuous cropping.

*effort
in the
coming year:*

The United States aid budget for assisting agriculture in Vietnam probably will be doubled. Plans for assistance include:

Doubling the seed multiplication program.

Provision of 2,000 marine engines.

Construction of five cold storage plants for deep sea fishing.

Training more agricultural and fisheries cooperative leaders.

Training 1,218 extension workers.

Distributing 4.7 million educational leaflets.

Increasing the number of American advisers in the provinces.

Distributing 40,000 purebred chicks and 15,000 purebred hogs.

□ Carrying out a joint Government of Vietnam-United States program for providing agricultural credit funds.

□ Reorganization of the National Agricultural Credit Office.

□ Technical advice to the Government of Vietnam on problems of the pricing and transport of rice and on plans for comprehensive land reform.

□ Providing an additional 500,000 to 600,000 people with clean water in fiscal year 1967, by the drilling of wells in the areas northwest of Saigon and in the Delta, where salt water pollutes hand-dug wells.

*Creating
A Democratic
Educational
System*

Education is one of Vietnam's most vital needs. Traditionally there have been few schools in the Vietnamese countryside, and schools in the cities have been filled to more than capacity. The young seek better educational opportunities; vocational and technical skills are in urgent demand. New educational methods and far more materials, facilities, and teachers are needed. The Honolulu Conference and Secretary Gardner's subsequent mission to Vietnam in March declared that priority should be given to elementary education in the country hamlets, to vocational and technical education, and to secondary education.

*accomplishments
to date:*

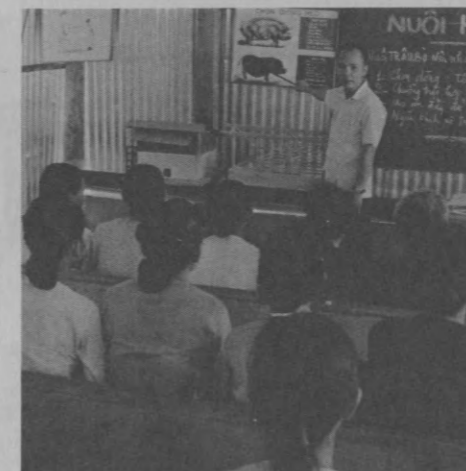
□ Approximately 6,400 hamlet school classrooms have been built so far. This program has been enthusiastically supported by the Vietnamese people, and accordingly has been one of the targets of Viet Cong destruction and killings. There were 1,364 classrooms built in 1965. In 1966 some 1,600 have been completed in the first six months, out of 2,300 planned. These were largely self-help projects, in which the Government of Vietnam and the United States contributed cement and lumber, and rural families provided the labor. These hamlet schools will provide 540,000 children with an elementary education—about one-third of all elementary pupils enrolled in Vietnam.

□ The number of hamlet school teachers has reached 7,200, with 3,400 trained so far this year.

□ *Teacher training programs are being rapidly expanded.* The Ministry of Education has selected ten schools for pilot programs and opened a new demonstration secondary school with 280 students at the Faculty of Pedagogy of the University of Saigon. This year, 1,095 elementary school teachers and 461 secondary school teachers have been graduated. Ohio University and Southern Illinois University advisers are working with Vietnamese educational officials to improve teacher training.

□ *English language teaching has been greatly increased.* International Voluntary Service courses have 12,600 full-time and 1,400 part-time students enrolled. The number studying English at Bi-national Centers expanded fourfold last year. Civic action teams of United States forces have taught English to 30,000 Vietnamese.

□ *The United States has launched a large-scale textbook program.* Thus far in 1966 some 2.2 million textbooks have been distributed to elementary school children, bringing the total so far distributed to seven million. Also distributed, last year, were 2,300 elementary teacher kits, making a total of 5,250 out of 10,000 programmed. Training in the use of the new textbooks was given to 18,750 teachers.



In Long An Province, a member of an animal husbandry cadre from the Vietnamese agriculture service demonstrates improved methods of livestock raising.

□ *Vocational training is expanding.* Enrollment in polytechnic schools in 1965 reached 2,384, a 16 percent increase over the 1964 total. There were 403 graduates, 60 percent more than the year before. Twenty rural training schools are being built; seven were completed this year, and six others are more than half built. Each will have a capacity of 500 students. With double shifts and full staff, 20 to 25,000 students can be enrolled. Also, many Vietnamese are learning new on-the-job skills with civilian firms or in the army.

□ *Agricultural training is being improved.* The College of Agriculture graduated 265 in 1965 and 320 in fiscal year 1966, and secondary agricultural schools 290 in fiscal year 1966, as compared with 220 the year before. Enrollment in secondary agricultural schools rose from 920 in fiscal year 1965 to 1,280 in fiscal year 1966. Three hundred agricultural cadre are being given special training under the Revolutionary Development program.

□ A special team of U.S. advisers is being assembled to assist education *at the university level.* University enrollment increased 12.6 percent in 1966 over 1965. The new University of Can Tho will open on October 15 with four faculties: Science, Law, Letters and Pedagogy, and an Advanced School of Agriculture.

*effort
in the
coming year:*

□ *Three thousand more classrooms* will be built and *4,000 additional teachers* will be trained under the hamlet school program, for a total of 11,400 by the end of 1967. The total of hamlet school classrooms and "self help" classrooms should reach 9,000 in 1966, and well over 12,000 in 1967.

□ *Enrollment in polytechnic schools* will increase to 3,000 in 1967, and to 4,000 in 1968. Additional training will be provided for a thousand refugees and a thousand veterans.



School is open. New classrooms were added to the old school by the people of Ba Canh.

□ *Teacher education enrollment* will be increased 15 percent at elementary and secondary school levels, 50 percent in normal schools, and 10 percent at university level during fiscal year 1967.

□ Construction of the remaining *13 rural trade schools* will be completed. Vocational agricultural instruction will be intensified in An Giang and six other provinces. Rural trade schools will be serving 10,000 sixth and seventh grade students by the end of 1968.

□ *Seven million more elementary textbooks* will be distributed, bringing the total to 14 million. Work will begin on producing eight million secondary level texts. Every secondary school student will have his own set of English language texts in 1967.

□ The number of Fulbright-Hays lecturers and teachers will be increased from six to twenty this academic year.

□ Six more mobile science educational units and two new in-service teacher educational centers are programmed.

□ U.S. advisers will work with the Ministry of Education on improving program content and in helping to provide an educational plant adequate for a developing nation. A special effort to expand secondary school facilities will be made, to the maximum extent that security permits.

□ For Montagnard areas, where children have lacked access to education, specialists are being recruited to develop means to write Montagnard dialects. A first run of 50,000 textbooks for the Montagnards will be produced during the coming year. Training in agricultural techniques will be emphasized.

□ A five-year program to provide utility vehicles to transport school personnel and educational materials will be begun.

Medical Care In The Midst Of The War: A Success Story

Acute problems of disease, sickness, and sanitation generally overburden the feeble resources of newly developing societies. In Vietnam these have been harshly accentuated by war. Seven hundred of the 1,000 civilian doctors have been drafted. The Viet Cong have destroyed many village health centers. The movement of a million refugees since 1964 has increased the danger of communicable disease. But the United States and other Free World countries have moved rapidly to meet the urgent need. Move Vietnamese now have better access to medical care than ever before in their lives. The record of achievement is perhaps the most impressive of all civil aid programs in Vietnam, and the program calls for further rapid expansion.

*accomplishments
to date:*

□ *Forty-two Free World medical teams* of 5 to 21 members are now working in Vietnam, including 21 teams of American military medical personnel working at civilian hospitals.

□ Joining the Americans have been volunteer Cuban refugee doctors, and medical personnel from Australia, China, Iran, Italy, Japan, Korea, New Zealand, Philippines, Spain, the United Kingdom, and Switzerland.

□ *153 American doctors from 38 states* under "Project Vietnam" have already voluntarily served two-month tours at Vietnamese provincial hospitals.

□ By the end of June our medical teams were treating an average of 39,700 patients a month. At the present rate, United States and other Free World doctors will treat more than two million needy Vietnamese patients in fiscal year 1967, and will be equipped to treat far more if necessary.

□ Under military civic action programs, medical personnel of our regular