

3 JANUARY 1975

SUBJECT

1. PRIME MINISTER'S BELIEF THAT THERE WILL BE NO POLITICAL SOLUTION WITH THE COMMUNISTS THROUGHOUT 1975 AND 1976

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2. INTENTION OF PRIME MINISTER TO EXPLOIT SOUTH VIETNAM'S OIL RESERVES AS A MEANS TO RESOLVE THE VIETNAM CONFLICT

1. DURING A CABINET MEETING ON 3 JANUARY 1975, PRIME MINISTER TRAN THIEN K H I E M SAID THAT THE PRESENT COMMUNIST OFFENSIVE CLEARLY SHOWS THE PARIS PEACE AGREEMENT HAS BEEN OVERTAKEN BY EVENTS. IT IS "PASSE" NOW AND THE VIETNAMESE GOVERNMENT

(GVN) MUST THINK IN TERMS OF ITS OWN SECURITY. IT IS CLEAR THAT THE COMMUNISTS WERE INTERESTED IN A "REAL" COALITION AND NOT ANY KIND OF QUASI-COALITION, AND AFTER THEY SIGNED THE AGREEMENT THEIR TACTICS BECAME CLEAR. AS SOON AS THE COMMUNISTS REALIZED THAT THEY COULD NOT GAIN A POLITICAL SOLUTION SATISFACTORY TO THEM, THEY OPTED FOR A MILITARY SOLUTION. THIS DECISION WAS ALSO PROMPTED BY THEIR BELIEF THAT THE U.S. WOULD NOT INTERVENE MILITARILY, WHICH THEY ANALYZED FROM THE "FIXED" POSITIONS OF U.S. PRESIDENT GERALD F O R D, THE U.S. DEMOCRATIC PARTY, AND THE "FROZEN" POSITION OF INTERNATIONAL OPINION ON VIETNAM IN GENERAL. THE COMMUNISTS ARE CERTAIN THE INTERNATIONAL COMMISSION FOR CONTROL AND SUPERVISION (ICCS) WILL NOT INVESTIGATE THEIR PRESENT MILITARY ACTIVITIES AND THAT NO OTHER COUNTRY IN THE WORLD WILL RAISE ITS VOICE TO PROTEST THE COMMUNIST AGGRESSION.

2. KHIEM SAID THAT PRESENT GOVERNMENT STRATEGY SHOULD BE DESIGNED TO "BUY TIME" UNTIL OIL COULD BE EXPORTED, PROBABLY IN 1976. HE BELIEVES THAT THROUGHOUT 1975 AND 1976 THE POLITICAL SCENE WILL REMAIN THE SAME AS IT IS NOW. IN THE MEANTIME, HE SEES NO POSSIBILITY OF A POLITICAL SOLUTION WITH THE COMMUNISTS. THE COMMUNISTS WILL REALIZE THIS AS FACT AND WILL TRY TO FORCE A

MILITARY SOLUTION WHICH SOUTH VIETNAM WILL HAVE TO FEND OFF AS BEST IT CAN. HE WAS CONFIDENT, HOWEVER, THAT SOUTH VIETNAM WOULD BE ABLE TO SURVIVE THIS DIFFICULT INTERIM PERIOD WITH THE COMFORTABLE FOREKNOWLEDGE THAT ITS OIL RESOURCES COULD BE IN THE PRODUCTIVE STAGE BY 1976.

3. KHIEM COMPARED SOUTH VIETNAM'S PRESENT POSITION TO A POKER GAME WHERE THE STAKES ARE OIL AND SOUTH VIETNAM'S EXISTENCE. IN ORDER TO OBTAIN THE OIL AS QUICKLY AS POSSIBLE, IT WOULD BE NECESSARY TO MAKE THE OIL COMPANIES' PROFITS MORE ATTRACTIVE. KHIEM SUGGESTED THAT THE GOVERNMENT SHOULD EVEN CONSIDER GIVING A PORTION OF ITS OWN PROFIT FROM THE OIL TO THE OIL COMPANIES AS AN INCENTIVE FOR THEM TO DRILL FASTER. HE CONTINUED THAT THE GOVERNMENT DID NOT HAVE THE LUXURY OF WAITING FOR A MAXIMUM PERCENTAGE OF PROFIT IN A LONG-TERM SITUATION, BUT NEEDED THE REVENUE AND THE PRESTIGE OF HAVING OIL NOW TO OFFSET THE PRESENT MILITARY CRISIS.

4. KHIEM THEN DIRECTED DEPUTY PRIME MINISTER IN CHARGE OF ECONOMIC DEVELOPMENT NGUYEN VAN H A O TO GET THE OIL COMPANIES TO ACCELERATE THEIR DRILLING ACTIVITIES. KHIEM TOLD HAO HE WOULD LIKE TO SEE MORE POSITIVE RESULTS DURING THE FIRST SIX MONTHS OF 1975. KHIEM CONTINUED THAT IF SOUTH VIETNAM COULD BE EXPORTING OIL BY THE *1977, country would be in good shape.*