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VC POLITICAL INFRASTRUCTURE

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1/68

I. (C) INTRODUCTION.

A. This newsletter is the third in a series to be published on the subject of the VC political infrastructure. The purpose of these periodical letters is to provide various elements -- particularly at the sector and subsector levels -- with timely information regarding trends, strengths, organization, and vulnerabilities of the VC political infrastructure.

B. This issue contains a report of the infrastructure losses during the 1968 Tet Offensive with particular emphasis on the loss of quality cadre, an article on VC taxation, and a discussion of the creation of a military region-level Party Committee in the Tay Nguyen - Lower Laos Military Region.

II. (C) DISCUSSION.

A. Infrastructure Losses During 1968 Tet Offensive (U).

1. As of 2 March 1968, 47,014 of the enemy were reported killed as a result of the Tet Offensive. Reports indicate that a significant portion of these fatalities (possibly several thousand) were VC political cadre. Most of these cadre are probably being replaced by recruitment or infiltration; consequently, the losses cannot be subtracted directly from total infrastructure strength. Nevertheless, such a large attrition in a relatively short period of time will place a severe strain on VC recruiting capabilities, probably resulting in an actual net loss in total strength. It should be noted, however, that strength figures mean little by themselves. Far more important are the early indications that a larger number of district and higher level cadre have been captured or killed during the recent Tet Offensive than during any other comparable time of the insurgency. These losses will almost certainly have a significant impact on the overall quality of the political cadre and on the effectiveness with which the infrastructure will be able to direct and support the insurgency. While it will likely be several months before the full impact can be determined, some preliminary observations are possible.

2. In anticipation of a general uprising in the cities, large numbers of "legal cadre" infiltrated into and around urban areas to motivate the people and to lead them in demonstrations against the government of South Vietnam. By such actions, the cadre became vulnerable to friendly military and police operations, and initial reports indicated that a considerable number were captured or killed. At the same time, organic infrastructure organizations already operating in the cities sacrificed their relatively covert status for overt activities in support of the anticipated uprising. In Saigon this activity included preparations for a provisional

coalition government and explains why the VC were willing to risk the presence of General Tran Do, Deputy Political Officer of Central Office for South Vietnam, in the Saigon area, where he was reportedly killed on 11 February.

3. All of the above indicates a particularly serious loss for the clandestine city or municipal political infrastructure organizations (equal to the district echelon in the infrastructure chain of command) throughout the country. Most initial attacks on government installations, National Police headquarters, and Army of the Republic of Vietnam compounds in and around the cities were conducted by elements of various sapper units directly subordinate to the city political apparatus. At the same time, city and other legal cadre conducted open propaganda directed at organizing demonstrations to complement the sapper attacks. When no uprising materialized, many political cadre were rounded up by the National Police, along with the sapper units. Subsequent interrogations led to still further arrests as the National Police set up special teams to exploit leads and capture members of the surfaced city organizations before the VC could realize their miscalculation and return to underground operations. For example, information obtained during interrogation of a prisoner in Nha Trang was the basis for a police raid that netted four cadre, including two members of the Nha Trang Municipal Committee. In turn, their interrogation led to the arrest of a member of the Khanh Hoa Province Committee and one other cadre. The interrogation of the Province Committee member then led to the arrest of two other cadre. This chain of arrests was completed in about 72 hours. The Khanh Hoa ICEX Coordinator stated: "It is possible that before the police are through the entire VC Nha Trang organization will be destroyed." Similar police successes were possible in Qui Nhon, where preliminary reports included the Secretary and Assistant Secretary of the Qui Nhon City Committee as being among the VC eliminated in the 30 January attack on that city.

4. It appears that the VC plan for the general uprising was to have been carried out primarily through the leadership of district and city echelon cadre. These cadre were to have led the people through the uprising and then established provisional local governments to fill the vacuum resulting from disintegrating GVN authority. In place of their anticipated success, the VC are now faced with the possibility of at least a temporary breakdown of infrastructure control in certain urban areas. This breakdown may come about because losses suffered at the district and city echelons play a very critical role in the chain of command for the VC infrastructure.

a. The district or city Party Committee is particularly vulnerable to manpower shortages because it is the highest "action" level in the Party political structure. At the province echelon, where policy is still being interpreted and formulated, the loss of key cadre will probably detract from the quality of long-term planning, but only in few cases

will the loss be immediate or critical. The province Current Affairs Committees generally meet once a month, allowing sufficient time to adjust responsibilities or to replace the lost member.

b. At the village and hamlet levels, no one cadre's responsibilities are so great that they cannot be absorbed either temporarily or permanently by another member of the local infrastructure. Furthermore, these local organizations are usually sufficiently flexible to allow for the shift of missions between various elements. For example, if the village Party chapter is destroyed, the Farmer's Association Executive Committee may take over its functions, perhaps under the general direction of a single Party member from district level. In addition, local guerrilla units may be used to collect taxes and conduct armed propaganda sessions. Self defense and secret defense elements may be similarly utilized.

c. At the district level, however, the sudden loss of key cadre (e.g. Finance and Economy, Military Party Affairs, or Security) can have immediate and far-reaching effects. District cadre usually have many years of Party experience, proven leadership capabilities, and commensurate responsibilities that require day-to-day active supervision of a large segment of political activity in all the villages and hamlets within the district. District cadre are not policymakers or functionaries that carry out detailed instructions, but rather, "action" cadre who bridge the gap between the two. As such, their loss places a critical strain on the infrastructure, and their replacement will be given the highest priority.

5. Shortages of cadre are likely to be most acute in Military Region V and Thua-Thien-Hue Military Region where the VC-controlled recruiting base is the thinnest. In Military Regions 1 and 4, where a complete boundary and political reorganization is now taking place, losses will probably be absorbed, at least in part, by the reorganization which includes extensive downgrading, upgrading, and lateral shifting of personnel resources. In Military Regions 2 and 3, most vacancies will probably be filled by upgrading promising village cadre, who in turn may be replaced by low-level Front leadership, perhaps from the Farmer's Association. Some shortages outside the Delta area may also be met by increased infiltration of North Vietnamese and regrouped cadre. Regroupees will be favored over North Vietnamese cadre at the district level because of their familiarity with local conditions.

6. Some temporary adjustments may be made in the structure of district organizations in the next few months. These adjustments could include changes in the balance between military and political activities. For example, in the Delta, where GVN Revolutionary Development (RD) cadre were temporarily withdrawn from the countryside into the cities, VC district organizations probably expanded their propaganda and proselytizing elements (at the expense of military operations) in an intensive effort to bring villages abandoned by the GVN into their political sphere before the return of RD cadre. By contrast, districts that have taken heavy casualties

among their subordinate local force units as a result of the Tet fighting will be under considerable pressure from the province committees to place the highest priority on recruiting. Some military leaders may be recruited directly from the infrastructure ranks, thereby further weakening the political organizations to strengthen the military.

7. It can be concluded that:

a. Large numbers of high-level VC infrastructure cadre have been killed or captured during the recent Tet Offensive.

b. These losses leave the infrastructure particularly vulnerable at the district and city level, where failure to replace lost cadre may result in the temporary breakdown of control in selected urban areas.

c. The VC will give the highest priority to the replacement of district and city-level cadre by upgrading, downgrading, laterally transferring, and infiltrating North Vietnamese personnel and regroupees.

#### B. VC Taxation.

##### 1. General.

a. In South Vietnam today, the VC must cope with the problems involved in supporting and financing the activities of an 85,000-man infrastructure and the military operations of a 225,000-man army, including 38,000 administrative service personnel and 72,000 guerrillas. Although most enemy war materiel comes from Communist Bloc countries, the VC are, for the most part, dependent upon the people and land of South Vietnam for their other needs. To acquire the necessary support, the enemy has developed a comprehensive and complex taxation system which amounts, basically, to extortion.

b. Since 1963 the "shadow government" of the VC infrastructure, acting in the name of the National Front for the Liberation of South Vietnam (NFLSVN), has made use of a tax system resembling that of a legitimate government. There are extensive annual budgets, complex tax rates, exemptions, penalties, and tax collectors. Nearly every form of economic activity in South Vietnam has become the object of attempted VC taxation. The VC tax system is so extensive that one product, such as a bushel of rice, may be taxed in many different forms from the time it leaves the farmer's field until it reaches the consumer.

##### 2. Finance and Economy Section.

a. General. The agency responsible for administering the complex VC taxation system is the Finance and Economy Section, one of the most active elements of the VC infrastructure. Even at lower levels,

these sections are staffed by some of the best-trained and most irreplaceable Party functionaries. Any group of armed guerrillas can stop vehicles on a highway and force the drivers to give up part of their cargo. Drawing up an extensive annual budget, applying complex tax rates, and making involved inter-echelon transfers of assets, however, are tasks reserved for only the most intelligent and well-trained cadre.

b. Functions of a Finance and Economy Section.

(1) Each Finance and Economy Section prepares an annual budget for approval by the echelon Executive Committee. Upon approval of the budget, the section oversees the complex tax collection and dispersal system by receiving, accounting for, and allocating Party resources. These resources include war materiel, food, and money.

(2) The Finance and Economy Section also administers production subsections, which are controlled from the province and district levels. The actual work is usually performed by production cells at the village and hamlet levels. In most cases, the production cell workers never realize that they are working for anyone other than the NFLSVN. The production subsections frequently have a dual function. They produce goods directly for the VC as well as provide services for sale to the general public in order to gain additional revenue for the VC. Sometimes it is difficult to distinguish by external appearances between a VC production cell blacksmith shop and a local blacksmith shop whose owner is forced to provide services and pay income taxes to the VC.

(3) In addition to administering the taxation system, the Finance and Economy Section performs other functions.

(a) In some areas the Finance and Economy Section operates an elaborate money order system for transferring money between families of VC soldiers and VC units.

(b) Finance and Economy Sections in some of the newly formed subregions are reportedly performing Forward Supply Council or Rear Service Section functions in transporting supplies to military units.

c. Function of Finance and Economy Sections at various echelons. There is a Finance and Economy element at each level of the infrastructure from COSVN to hamlet. However, the functions of these elements differ according to echelon.

(1) COSVN Finance and Economy Section.

(a) The mission of the Finance and Economy Section at COSVN level is to formulate general VC budgetary plans for all of

South Vietnam, except for the Tri-Thien-Hue Military Region, the Tay Nguyen-Lower Laos Military Region, and Military Region V. In making these plans, COSVN economists take into account the estimated budgets received from Finance and Economy Sections at lower levels, anticipated surpluses and deficits of various VC administrative areas, and programmed operations for the next fiscal year. COSVN's Finance and Economy Section also issues detailed instructions for accounting procedures and has provided the services of experts to train and assist lower level Finance and Economy Section cadre.

(b) The COSVN Finance and Economy Section reportedly has some additional special functions, such as obtaining foreign currency (e.g. Cambodian riel) for out-country operations and purchases.

(2) Military Region Finance and Economy Section.

(a) The mission of a military region Finance and Economy Section is to assist the military region Party Committee in implementing, within its subordinate echelons, the directives received from COSVN and to provide technical assistance to lower echelon Finance and Economy Sections. For example, in Military Region 1 the Party Committee, with the assistance of the Finance and Economy Section, designates tax rates for commercial items in accordance with a COSVN directive.

(b) There is direct communication on technical matters, such as rates and accounting procedures, between the Finance and Economy Sections of various echelons. However, the actual chain of command goes through each echelon's Party Committee, where the Finance and Economy Section chief at that level sits as the Party Committee member responsible for financial activities.

(3) Province Finance and Economy Section.

(a) The mission of a province Finance and Economy Section is to assist the province Party Committee in applying the broad directives received from COSVN (through the military region Party Committee) to the specific situation existing within the province and to provide technical assistance to lower level Finance and Economy Sections.

(b) The province Finance and Economy Section supports district and village Finance and Economy Sections by assisting them in financial administration, training their accountants, and exercising general supervision. There is usually a province level auditing system maintained by the province Finance and Economy Section to prevent districts and villages from retaining more than their allotted shares of tax revenue.

(c) Another important province Finance and Economy Section function is the assignment of tax collection points to districts so that interdistrict conflicts concerning jurisdiction over tax points do not develop.

(d) In some instances, the province Finance and Economy Section collects taxes although tax collection is most often the function of the district, village, and hamlet echelons. If a city (usually a district level) organization within the province is weak, however, the province Finance and Economy Section may collect taxes in that city. Province Finance and Economy Sections have also been known to assume responsibility for collecting taxes in large market places within VC-controlled areas of the province.

(4) District Finance and Economy Section.

(a) The district Finance and Economy Section has the mission of supervising the collection of taxes. Although most of the tax collection effort is usually assigned by the district Party Committee to village and hamlet cadre, the district section often collects from large shops in the district and administers district collection points.

(b) The district Finance and Economy Section is the lowest level having an elaborate VC monthly accounting system. The districts are usually dependent on the province organization for providing or training accountants to administer the system.

(5) Village Finance and Economy Section.

(a) The mission of the village Finance and Economy Section is to collect taxes as directed by the village Party Committee and the district Finance and Economy Section. The village organization, like other echelons (with the probable exception of the hamlet), prepares its own budget, retains part of the tax revenue, and sends the remainder to the next higher echelon.

(b) Village Finance and Economy Sections generally assume the responsibility for collecting taxes from small markets and shops in the village area.

(6) Hamlet Finance and Economy Section. The mission of the hamlet Finance and Economy Section is to support the village tax collection effort by collecting from the people in the hamlet. Frequently the Finance and Economy Section at hamlet level consists only of a single resident who is also a member of the village Finance and Economy Section.

3. Forms of Taxation.

a. Agricultural Taxes.

(1) Since Vietnam has an agrarian economy, the VC strongly emphasize taxing the production, processing, transportation, and marketing of agricultural products. A statement issued by COSVN in mid-1966 contains an estimate that agricultural taxes produce 80% to 90% of VC revenue.

(2) The VC generally use two methods to compute agricultural tax rates: the per capita method and the percent of total production method.

(a) Using the per capita method, each agricultural household is assessed at a tax rate based on the number of persons in the household, the income (i.e. agricultural production) of the household, and the degree to which the family has supported the VC. Exemptions are permitted for households whose members are serving or have served the VC. The rates typically range from 6% to 18% of the gross annual household income, i.e. gross agricultural production. Recently, these rates have been rising, and there have been many cases of the VC taking whatever they can find without regard to established rates.

(b) The percent of total production method of computing agricultural taxes is more frequently used than the per capita method, primarily because the latter is more complicated to administer. Tax rates for the percent of total production method differ according to the local VC tax requirements, productivity, and influence. In general, the percent of total production tax rates increase from south to north in South Vietnam so that they are lowest in the productive Delta region and highest in the comparatively poorer I CTZ.

b. Industrial and Commercial Taxes.

(1) Since the VC do not have to control an area in order to impose the taxes, industrial and commercial taxes are especially beneficial to them. Most often, the industrial and commercial taxes take the form of extortion or protection payments. Businessmen pay in order not to have their shops and trucks blown up, their workers go on strike, or their families harmed.

(2) A captured document from the III Corps area contains some typical VC tax rates for business concerns:

(a) By Net Receipts per Month:

|   |                     |
|---|---------------------|
| under 500 \$VN (US\$4.24)                 | exempt from tax     |
| 1001 (US\$8.47) to 1500 \$VN (US\$12.71)  | 5% of net receipts  |
| 1501 (US\$12.71) to 2000 \$VN (US\$16.94) | 6% of net receipts  |
| 2001 (US\$16.94) to 3000 \$VN (US\$25.41) | 7% of net receipts  |
| 3001 (US\$25.41) to 4000 \$VN (US\$33.88) | 8% of net receipts  |
| 4001 (US\$33.88) to 5000 \$VN (US\$42.35) | 10% of net receipts |
| 5001 (US\$42.35) to 7000 \$VN (US\$59.29) | 14% of net receipts |
| over 7000 \$VN (US\$ 59.29)               | 15% of net receipts |

(b) By Type of Business:

Barber shops:

|                           |                    |
|---------------------------|--------------------|
| Operated by owners        | 3% of net receipts |
| Operated by hired barbers | 4% of net receipts |

|                                      |                            |
|--------------------------------------|----------------------------|
| Tailor shops:                        |                            |
| Operated by owners                   | 5% of net receipts         |
| Operated by hired tailors            | 10% of net receipts        |
| Slaughter houses:                    |                            |
|                                      | 50 \$VN (US\$ .45) per pig |
|                                      | 100 \$VN (US\$ .85) per    |
|                                      | buffalo or ox              |
| Repair shops (machine and bicycles): | 5% of net receipts         |
| Dyers:                               | 5% of net receipts         |
| Jewelers:                            | 10% of net receipts        |

(3) Industrial and commercial taxes are assessed according to the time of year, type and size of business, location and amount of purchases and sales of the business. In taxing businesses, the VC use either the precent of income method or a lump sum annual payment.

(4) While all but the smallest shops are subject to some form of VC taxation, there are indications that the limited number of large business concerns in the Saigon area (the only area for which figures are available) provide much more in total tax revenue than the many small shops. For example, the VC 1968 budget estimates revenues of 109,000,000 \$VN (US \$923,230) from large business concerns in the Saigon area including some overseas subsidiaries of US firms. Of the 109,000,000 \$VN (US \$923,280), all but 5,000,000 \$VN (US \$42,350) is expected to come from eight large companies.

(5) Some industrial and commercial taxes are probably paid in US dollars. This fact is evinced by the huge sums (in the hundreds of thousands of US dollars) reported to be held by the VC in Military Region 4. The US dollars would be very useful to the VC for purchasing supplies abroad in countries such as Cambodia. Also, since GVN piasters are subject to more inflationary pressures and are more likely to be devalued than US dollars, large holdings in US dollars have a better chance of maintaining their value than large holdings of GVN piasters. In any case, since a takeover of the GVN appears to have been a serious objective of the recent VC Tet Offensive, the VC would be ill-advised to keep their reserves in GVN piasters.

c. Transportation Taxes.

(1) Taxation of Transportation throughout South Vietnam is particularly adaptable to VC methods and capabilities. Tax stations are located along routes of communication, such as roads and canals, in areas where the terrain favors the security of the collection team and where rapid escape is possible in case of discovery by ARVN/FWMAF units.

(2) The VC utilize two basic taxes along transportation routes, depending upon their objective. To produce revenue they merely assess traffic along the South Vietnamese routes of communication. To restrict the movement of goods both to and from VC-controlled areas they employ a restrictive tariff -- the import-export tax discussed in d (1) below.

(3) Transportation tax rates normally vary according to the value of the cargo. Recently, however, the rates seem to be based more on the immediate needs of the VC. Typically, the rates for goods such as rice, beans, fish, eggs, fruit, and salt leaving VC-controlled areas range from 5% to 20% of the purchase price. Similar taxes are imposed on manufactured and processed goods moving into rural VC-controlled areas. The taxes are collected in cash or in value, depending on the agreement, if any, made between the VC and the transporter of the goods.

(4) The 30,000 (US \$254.10) to 60,000 \$VN (US \$508.20) in transportation taxes reported to have been collected one day along Highway 13 in GVN Binh Duong Province, in December 1967 by the VC Finance and Economy Section is an example of how effective transportation taxes are in gaining revenue for the VC.

(5) Transportation of passengers, as well as goods, is taxed by the VC. Although bus operators frequently pay a monthly or annual fee to the VC, their buses are still occasionally subject to on-the-spot taxation. Typical monthly rates have ranged from 70\$VN (US \$.59) for a three-wheeled cab to 2,500 \$VN (US \$21.18) for a bus going from Saigon to the provinces. In addition, passengers themselves are also assessed on occasion. Four percent of the total fare from point of departure to destination is representative of the rate charged passengers.

#### d. Import-Export Taxes.

(1) VC import-export taxes are intended to prohibit or restrict the movement of goods needed by the VC from VC-controlled areas and the movement of unnecessary luxury goods to the VC-controlled areas. Purchase of luxury goods, such as liquor, perfume, cosmetics, nylon, and canned food, would result in an outflow of currency from VC-controlled areas, thus reducing the tax base of the VC. A typical restrictive tax rate is 50% of the value of the goods being taxed, but outright prohibition of movement is not uncommon.

(2) Items not permitted to leave VC-controlled areas include livestock, such as cattle and piglets, or other items that are in critically short supply.

#### e. Plantation Taxes.

(1) Taxes on rubber plantations in South Vietnam have in the past been a major source of income for the VC, but because of the wartime disruption of the economy and transportation routes, plantation taxes have played a steadily decreasing role as a source of income. In the past, the VC plantation tax rates were very complex, being based on location, size, amount of production, and on nationality of the owners. French-owned plantations paid at a higher rate than Vietnamese or Chinese-owned plantations. Recently, however, the rates have been simplified, with credit being given for trees destroyed in the fighting.

(2) There have been reports of plantation tax payments being made in US dollars. These payments may account for part of the large US dollar holdings reported to be in VC hands.

f. Property Taxes. There are reports that the VC levy taxes on houses and rice lands in some areas. In VC Thua Thien Province in the Tri-Thien-Hue Military Region, families reportedly paid a property tax of 500 \$VN (US\$4.24) to 5,000 \$VN (US\$42.35) on their houses. In VC Long An Province near Saigon, farmers were charged five bushels of rice for each hectare of land they owned.

g. Income Taxes.

(1) VC taxation of individual income illustrates how complex and far-reaching the enemy's tax system is, even though income taxes do not yield as much revenue as agricultural, transportation, industrial, and commercial taxes. There is, for example, an elaborate system of exemptions for people who have served the VC or who have sons serving the VC, while people who have aided the GVN must pay at a higher rate. Persons making less than 500 \$VN (US\$4.24) per month are, in most cases, tax exempt.

(2) The most common example of a VC income tax is that imposed on factory workers. Reported rates of taxation range from 3% of income for workers in a soy sauce processing plant to 20% of income for workers in a factory producing military items.

(3) Depending on the needs of the VC, payment of personal income taxes may be required in cash, goods, or personal services. The latter form of payment resembles the corvée system of impressed civilian labor.

h. Special Assessments.

(1) The VC also employ various kinds of special assessments to raise revenue. One common form is the involuntary "donation." In VC Quang Nam Province, for example, the people were reportedly asked to donate sums ranging from 5,000 (US\$42.35) to 10,000 \$VN

(US\$84.70) to the NFLSVN. In return the people were to receive certificates stating that they had donated to the revolution. Funds raised from "donations" form a substantial part of the VC revenue in Military Region 4. VC revenue from "fund drives" in 1966, for example, was estimated to be 21,112,025 \$VN (US\$170,348.85).

(2) The "donation" or "fund-raising" technique is commonly used by the VC in areas where they do not have full control and, therefore, cannot administer a regular tax program. The requests for donations are, of course, accompanied by threats of terrorism if the funds are not forthcoming. Other variations of these assessments include VC "war bonds" and "loans."

(3) An additional form of VC special assessment is the fine. Fines reportedly have been assessed against individuals by Finance and Economy Sections for violations of rules established by the NFLSVN.

#### 4. Distribution of Tax Revenue.

a. Much of the coordination for distribution of collected tax revenue is accomplished through the Forward Supply Council at each echelon. The complexity of the Forward Supply Council precludes its discussion in detail in this newsletter. Briefly, however, the Finance and Economy Sections provide food and other supplies to the Forward Supply Councils, which transport them to Rear Services Sections of military units for issue to VC troops. The Forward Supply Councils are staffed by cadre from various interested civilian agencies of the VC infrastructure and vary in form according to the tactical situation. They are temporary organizations and function as a sort of liaison between collection and distribution agencies.

b. Generally, villages are permitted to retain 10% to 20% of the tax revenue they collect. However, there are reports of considerable "loose" accounting at the village level. The remaining 80% to 90% is forwarded to the district level. In turn, the district forwards 80% to 90% of its revenue, including that received from the villages, to the province. These transfers, primarily on paper, are duplicated at province and military region levels until the bulk of the revenue from the tax collection effort reaches COSVN. At COSVN the revenue is redistributed among the various subordinate echelons to finance the cost of VC operations, both military and non-military.

c. It should be noted that most of the transfers of assets in this collection and distribution system are "paper" transfers. For accounting purposes, the VC often refer to their tax revenue in terms of GVN piasters, the values assigned to goods tending to be somewhat lower than the retail values. The assets generally remain physically located

at a lower echelon Finance and Economy Section storage area although they may have been allocated to the Rear Services Section of a military unit. The allocation is essentially an authorization for the Rear Services Section to draw a specified amount of cash, food, or goods from the storage area.

d. While much of the tax revenue collected by the VC is used to support insurgent activities unrelated to the welfare of the people from whom it is collected, this situation is not always the case. There have been several reported instances in the Delta of the VC using tax money for self-interest community purposes, such as building schools and pagodas. Loans to farmers to help them increase production are also common.

e. The three northernmost military regions in South Vietnam -- the Tri-Thien-Hue-Central Laos, Tay Nguyen-Lower Laos Military Regions and Military Region V -- are apparently not included in this COSVN-oriented collection and distribution system, but indications are that taxation and distribution systems exist within each military region.

C. Creation of Military Region Level Party Committee in the Tay Nguyen-Lower Laos Military Region (C).

1. General. Discussed below is evidence of the creation of a military region-level Party Committee in the Tay Nguyen-Lower Laos Military Region, which was formed as a result of the 1966 reorganization of Military Region V.

a. One point should be clarified from the outset. The official VC name for the region Party Committee to be discussed is unknown.

b. One high-level VC returnee, Huynh Cu, stated that the area under the jurisdiction of this committee is called the Tay Nguyen-Lower Laos Military Region, and for this reason, the committee discussed will be termed the Tay Nguyen-Lower Laos Region Party Committee. Other sources have labeled the committee the Highlands Region Committee and the B-3 Front Party Committee. These names will be used interchangeably in context with the sources.

2. History.

a. Before 1966, Military Region V consisted of the following VC provinces: Quang Tri, Thua Thien, Kon Tum, Gia Lai, Dak Lak, Quang Da, Quang Nam, Quang Ngai, Binh Dinh, Phu Yen, and Khanh Hoa. Between June and August 1966, Military Region V was reorganized into three separate military regions: Tri-Thien-Hue-Central Laos Military Region, composed of VC Quang Tri and Thua Thien Provinces and portions of Central Laos; Tay Nguyen-Lower Laos Military Region (also known as the B-3 Front or Western Highlands Military Region), composed of VC Kon Tum, Gia Lai,

and Dak Lak provinces and portions of Lower Laos; and Military Region V, composed of VC Quang Da, Quang Nam, Quang Ngai, Binh Dinh, Phu Yen, and Khanh Hoa Provinces.

b. One probable reason for the reorganization of Military Region V was that its vast and diverse territorial expanse precluded the establishment and operation of an effective command and control system. Therefore, the area was divided into three smaller and more easily controlled military regions.

c. Another probable reason for the reorganization was that each of these new military regions forms a distinct unit suited for a particular role in the insurgency.

(1) The Tri-Thien-Hue-Central Laos Military Region is contiguous with North Vietnam, thus acting as a buffer to keep extensive ground warfare in the Tay Nguyen-Lower Laos Military Region from extending into North Vietnam.

(2) The Tay Nguyen-Lower Laos Military Region, located immediately south (see map at Annex A) of the Tri-Thien-Hue-Central Laos Military Region, is especially advantageous for VC/NVA tactical operations because it adjoins Cambodia where VC/NVA forces maintain relatively safe staging sites, logistical bases, and retreat areas.

(3) Military Region V contains heavily populated areas that provide the VC with a manpower base upon which the Tay Nguyen-Lower Laos Military Region, with fewer resources, can draw.

d. The Tay Nguyen-Lower Laos Military Region was first given military region status with the establishment of the B-3 Front military headquarters in late 1966. However, political control over the provinces (VC Kon Tum, Gia Lai, and Dak Lak) in this area continued to be exercised by the Military Region V Party Committee.

e. The Tay Nguyen-Lower Laos Military Region Party Committee was probably not formed until late 1967, at which time it apparently replaced the Military Region V Party Committee in its role of providing political control over the provinces in this area.

### 3. Evidence.

a. Evidence accumulated as of March 1968 tends to confirm the establishment of a Tay Nguyen-Lower Laos Military Region Party Committee to complement the already existing B-3 Front VC/NVA military organization, thus elevating the Tay Nguyen-Lower Laos Military Region to full autonomous status, no longer dependent on Military Region V for political control.

b. The first reported mention of a Tay Nguyen-Lower Laos Military Region Party Committee was at a conference between a Cambodian Army officer and representatives from both the Tay Nguyen-Lower Laos Party Committee and the Military Region V Party Committee.

c. A captured document, dated 12 July 1967, prepared by the Political Section of the 33rd NVA Regiment, provides guidelines for political activities to be performed by various subordinate Party Chapters during the last six months in 1967. Among the specific tasks to be accomplished during the second half of 1967 was full compliance with the directive of the Party Committee, Headquarters, SVNLA, and "the resolution of B-3 Front Party Committee." What this directive referred to as the B-3 Front Party Committee has more recently been identified in some reports as the Tay Nguyen-Lower Laos Military Region Party Committee. Although some captured documents continue to refer to the area as the B-3 Front or Western Highlands Military Region, Tay Nguyen-Lower Laos Military Region more accurately describes the area and serves to distinguish the Party apparatus from the B-3 Front military organization.

d. A captured personal notebook of a member of H15 Company, 320th Regiment, 1st NVA Division contains notes from an H15 Party Chapter meeting held on 26 October 1967. One activity of the Chapter during October, November, and December, 1967, was to be the "study and execution of B-3 Front Resolution." The meeting of a Party Chapter usually involves the discussion of political subjects, even though it is the Party Chapter of a military unit. A resolution of the sort discussed would have come from a Party Committee, probably the Tay Nguyen-Lower Laos Military Region Party Committee, rather than from the B-3 Front Military Headquarters.

e. Another captured personal notebook contained an entry, dated 11 November 1967, stating that the owner of the notebook had "just studied the resolution adopted by the B-3 Front Party Committee."

f. The next mention of the Tay Nguyen-Lower Laos Military Region Party Committee appeared in a document attached to a directive dated 26 November 1967 and prepared by the Political Section, VC Gia Lai Province military unit. The document is an appeal originated by the B-3 Front Party Committee urging all subordinate units to strive harder during the 1967-68 Winter-Spring Campaign to accomplish their assigned missions. From the text of the document, it appears to be a propaganda or emulation message. This sort of message would characteristically come from a Party Committee.

g. The next mention of the Tay Nguyen-Lower Laos Military Region Party Committee appeared in an incomplete 1967 pocket calendar containing entries made by an unidentified member of a platoon-sized unit. Included with the calendar is an undated letter from the Current Affairs Committee of the B-3 Front (Tay Nguyen-Lower Laos Military Region) Party Committee.

(1) The Current Affairs Committee is the second ranking element in the organizational hierarchy of the VC political infrastructure.

(2) Since there is a military region-level Current Affairs Committee concerned with the conduct of day-to-day political business, there must be a military region-level Party Committee formulating the broad policy carried out by the Current Affairs Committee. Military region-level Current Affairs Committees are not created without a Party Committee having been previously formed.

#### 4. Conclusions.

a. Substantial evidence indicates the existence of a military region-level Party Committee within the territorial jurisdiction of the Tay Nguyen-Lower Laos Military Region. With the formation of this committee, the area comprising VC Kontum, Gia Lai, and Dak Lak Provinces -- whether called the B-3 Front Command Military Region, the Western Highlands Military Region, or the Tay Nguyen-Lower Laos Military Region -- is, in fact, a military region with both military and political autonomy.

b. Thus far, three elements of the Tay Nguyen-Lower Laos Military Region, other than the Party Committee, have been identified. These elements are the Current Affairs Committee, Assault Entertainment Group, and a PSYWAR Entertainment Team. (See Annex B.) Annex C lists key VC political personalities of the Tay Nguyen-Lower Laos Military Region.

#### D. Region Party Headquarters, CT 8, and the Five New Subregions (C).

1. General. An extensive analysis of the reorganization of Military Region 4 (MR 4) into five subregions will be included in Newsletter #6. In the interim, the following preliminary conclusions are intended to update the initial report on the reorganization contained in Newsletter #2.

2. Region Party Headquarters. A newly identified Region Party Headquarters organization functions as a COSVN forward headquarters in co-ordinating the activities of the five new subregions. The Region Party Headquarters also oversees and coordinates the activities of VC penetration and proselytizing agencies in the Saigon-Cholon area.

3. CT 8. While control over local and main force VC units is exercised through the Military Command Committees of the five subregions (see Annex D), neither the Region Party Headquarters nor any of the five subregions exercise direct control over the three divisions (the NVA 7th, the VC 5th and 9th) operating near Saigon. Control over these divisions is exercised by Headquarters, South Vietnam Liberation Army (SVNLA), possibly through CT 8. Recent analysis of several captured documents indicates that CT 8 (AKA: Doan 95 and LBN: 86,110YK) is a mobile tactical command post that operates as a COSVN military forward headquarters.

a. A company-grade PW from a subordinate element of CT 8 stated that the forward headquarters was formed in February 1966 and given the mission of controlling overall tactics, strategy, combat technique, and personnel replacements for the "VC armed forces in South Vietnam." He further stated that subordinate to CT 8 were CT 5 (VC 5th Division), CT 7 (NVA 7th Division), CT 9 (VC 9th Division), Regiment 76 (security element for the forward headquarters), and Rear Services Regiment 86 (AKA: Doan 86) support units.

b. During the Loc Ninh and Bu Dop Battles (November - December, 1967), CT 8 headquarters was located in northeastern Binh Long Province. Since elements of CT 7 and CT 9 were in the vicinity of Saigon during the Tet Offensive, it is possible that CT 8 directed Tet Offensive operations in the Saigon area. Indications are that CT 8 remains located in the Saigon-Gia Dinh area, but the exact location is unknown. CT 8 apparently moves as operational necessity dictates in order to coordinate and control major VC units during large-scale operations.

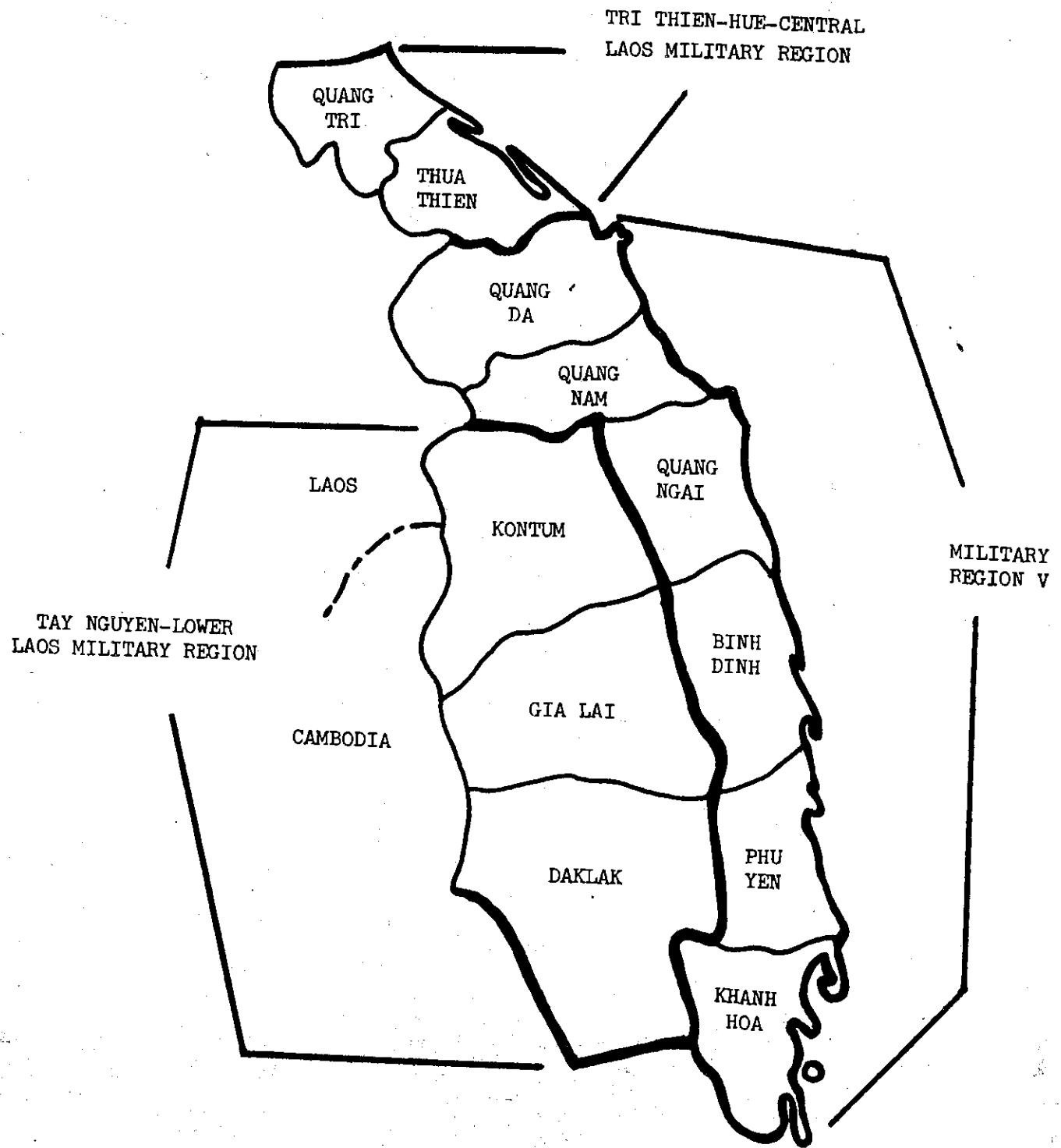
#### 4. Designation of the Five New Subregions.

a. The letter "K" is used with the appropriate number from one to five to refer to a subregion, its Party Committee, or subordinate functional elements of the Party Committee.

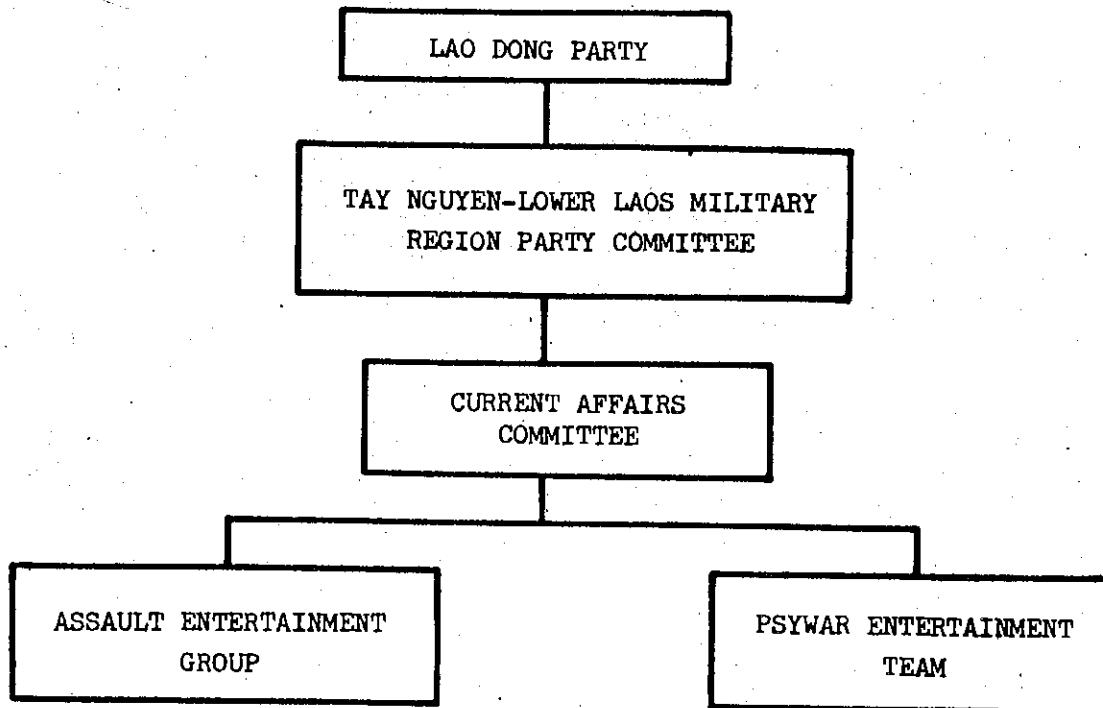
b. The letter "E" is used similarly to refer to a subregion Command Committee and its subordinate military units and agencies.

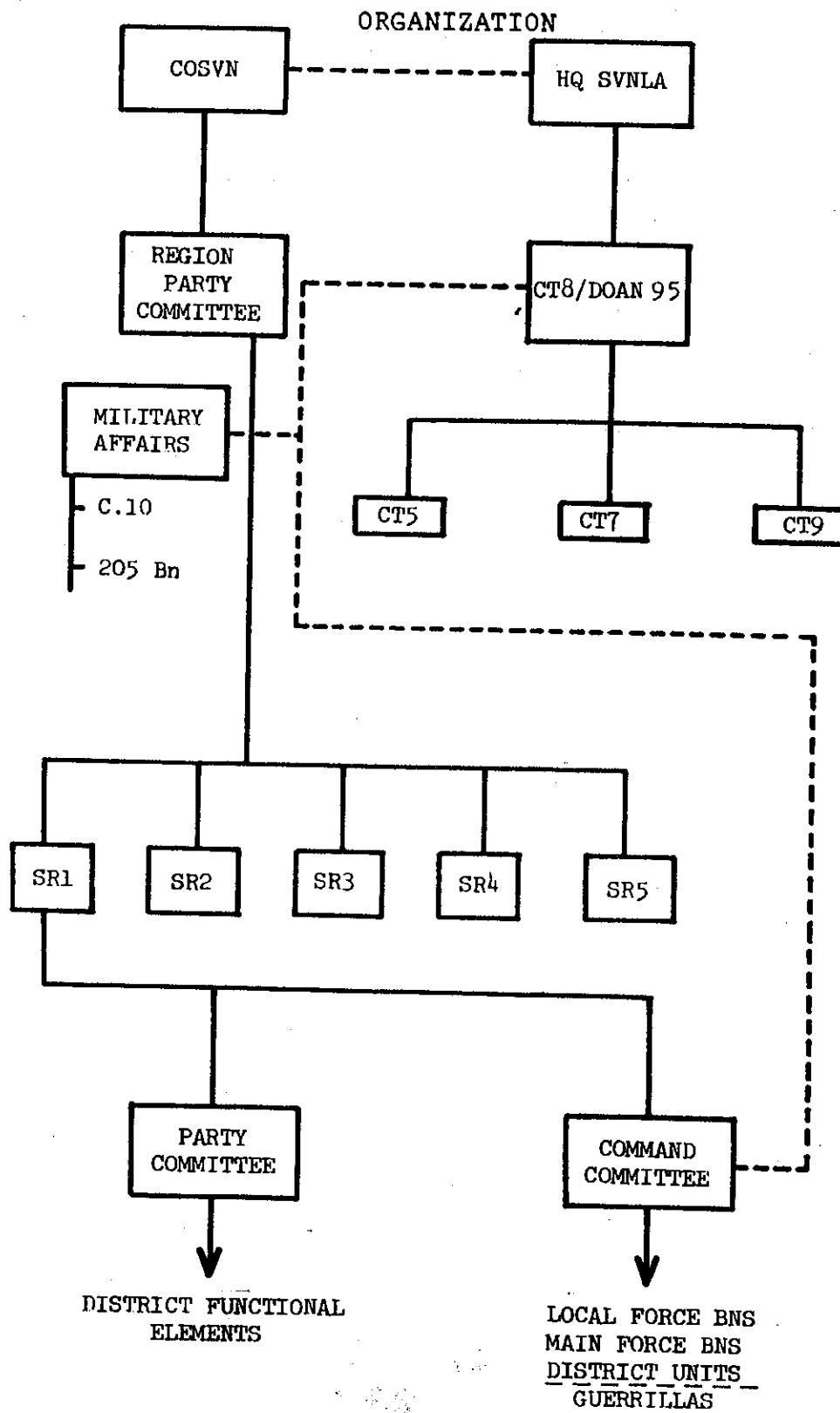
c. Some confusion in evaluating interrogation reports and captured documents has resulted from references by low-ranking VC cadre to the new subregions in terms of GVN place names. For example, Subregion 1 is sometimes referred to as "Binh Duong" (from Binh Duong Province), while Subregion 2 is referred to as "Binh Tan" (from Binh Tan District) and Subregion 3 is referred to as "Nha Be" (from Nha Be District). Either these low-ranking cadre are more familiar with local names than with the new VC terms, or they have not yet been informed about the new subregions formed by the reorganization.

ANNEX A: Map of Tri Thien-Hue-Central Laos Military Region, Military Region V, and the Tay Nguyen-Lower Laos Military Region



ANNEX B: Chart of the Elements of the Tay Nguyen-Lower Laos Military Region





ANNEX C: List of VC Political Personalities of the Tay Nguyen-Lower Laos Military Region

| <u>Name</u>  | <u>Position</u>   | <u>Source</u>         | <u>DOI</u> |
|--------------|---|-----------------------|------------|
| Bo           | Cadre, B-3 (Tay Nguyen-Lower Laos MR) Region Committee                  | IR 6-028-1359-67      | 11 Jul 67  |
| Son          | Public Security Cadre, 'B-3 (Tay Nguyen-Lower Laos MR) Region Committee | IR 6-028-1359-67      | 11 Jul 67  |
| Vu           | Member, PSYWAR Entertainment Team                                       | CDEC Log #11-1376-67  | 2 Nov 67   |
| Sac          | Member, PSYWAR Entertainment Team                                       | CDEC Log #11-1376-67  | 2 Nov 67   |
| Tran Thi Thu | Member, PSYWAR Entertainment Team                                       | CDEC Bulletin #10,055 | 4 Dec 67   |