

SOUTH VIETNAM

State Department review completed

- I. The Diem government in South Vietnam faces growing dangers.
 - A. There has been sharp increase in Communist guerrilla activities during the past nine months.
- II. The Communists, with an estimated 5,000 guerrillas, apparently hope eventually to topple the government by extending their operations from the delta provinces in the southwest where they are now most active.
 - A. Recently they have also been more active northeast of Saigon, and main routes near the capital city are insecure.
 - B. The Vietnamese security service is taking seriously reports that terrorism and sabotage--with Americans included as targets--may be planned in Saigon itself in connection with the 23 September anniversary of the start of the Indochinese war against France.
- III. Diem has relied mainly on military measures to meet the Communist threat, increasing anti-guerrilla training in the army and maintaining aggressive patrols.
 - A. Local militia forces, however, remain weak.
- IV. Diem is more vulnerable to this Communist upsurge because he is faced with widespread rural dissatisfaction and increasingly articulate criticism from Saigon's intellectual, labor and refugee circles of his authoritarian rule.
 - A. He realizes that peasant support is essential to combatting the Communist campaign and has taken some measures to meet rural grievances and identify the government more closely with rural welfare.

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- B. Diem has remained reluctant, however, to deal with the related problem of complaints in both government and opposition circles that his tight rule through a family clique fosters corruption and facilitates Communist subversion.
- C. The US embassy in Saigon believes it is possible that Diem's non-Communist opponents, especially the trade unions, might stage public demonstrations to back their demands for reform and that Communist infiltrators could maneuver such protests into serious anti-Diem incidents.
- V. The uneasy South Vietnamese situation has drawn increased propaganda attention from the Communist regime in North Vietnam, where the recent Lao Dong (Communist) party congress indicated it would give support to all opponents--including non-Communists--of the "US-Diem clique" in an effort to get a coalition government with Communist participation.

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