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25 July 1966

No. 0383/66

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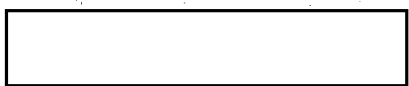
INTELLIGENCE REPORT

THE SITUATION IN SOUTH VIETNAM

State Dept. review completed

USAID review completed

DIRECTORATE OF INTELLIGENCE



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No. 0383/66

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(18 July - 24 July 1966)

C O N T E N T S

Section

POLITICAL SITUATION

I

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Government observance of Geneva Accords anniversary; [Redacted] Developments within government-opposition groups; Election developments; Possible government moderation of its policy toward Chinese minority.

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REVOLUTIONARY DEVELOPMENT

II

US military civic action programs; Recent developments in National Priority Area IV.

ECONOMIC SITUATION

III

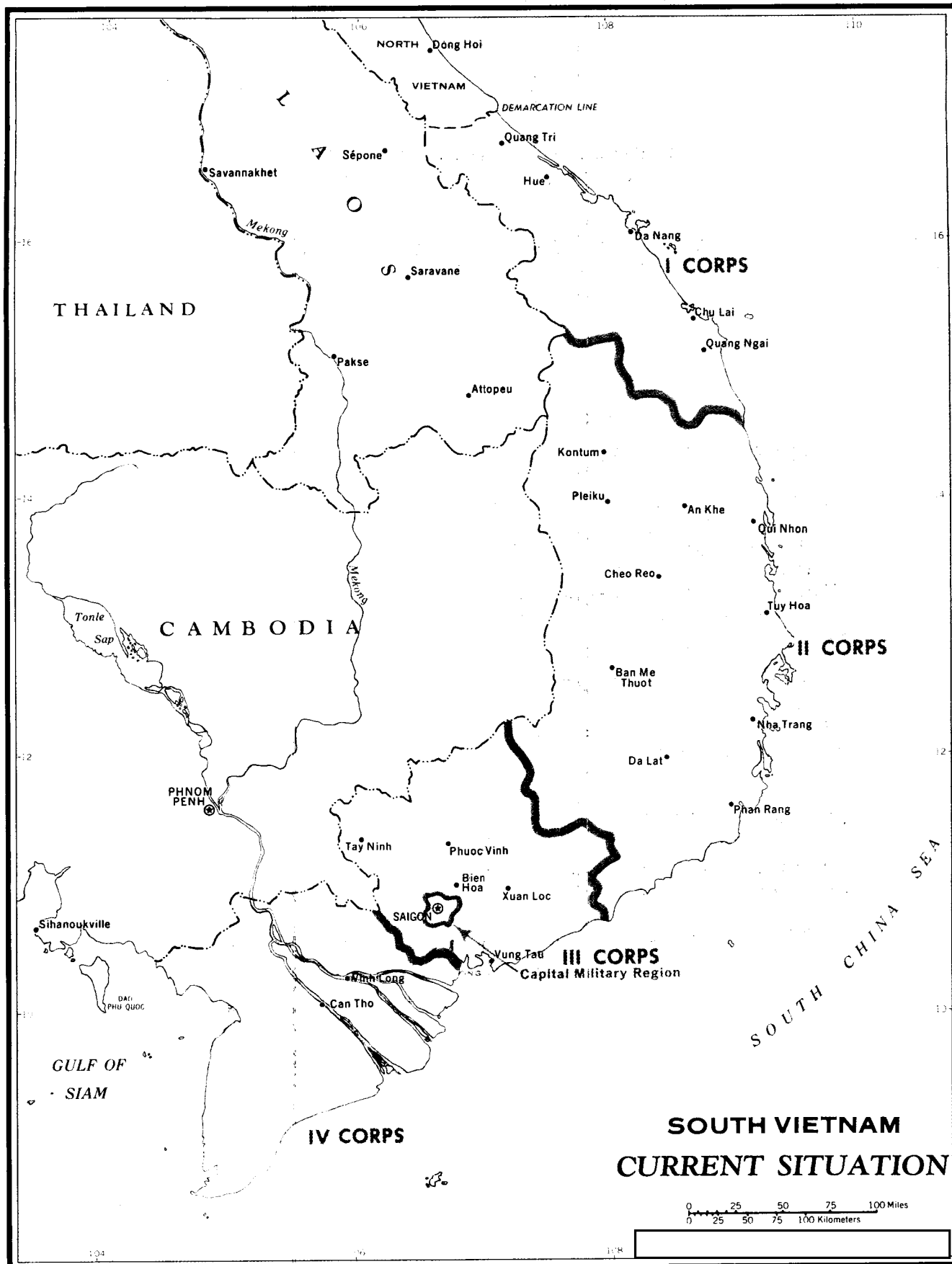
Prices; Currency and gold; GVN actions on pork; Port operations; Labor problems.

ANNEX: Weekly Retail Prices in Saigon (table)
Free Market Gold and Currency Prices (graphs)

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I. POLITICAL SITUATION

The 12th anniversary of the Geneva Accords afforded the South Vietnamese Government an opportunity to publicize once again its uncompromising views on ending the war. Other aspects of the anniversary ceremonies included supporting speeches by government figures and the repatriation of 13 North Vietnamese prisoners.

[Redacted]

Mean-

while, antigovernment civilian elements, including militant Buddhist Tri Quang, publicized their views at a public reception sponsored by Catholic Father Quynh's "Front of All Religions." Regarding the September election for a constitutional assembly, the US Embassy generally reported favorable trends following a preliminary countrywide survey of candidates. A lack of prominent candidates in the Saigon area, however, was the basis of criticism by one well-known Vietnamese politician. The mayor of Saigon recently cited several government actions or plans as evidence of a new, enlightened government policy toward the local Chinese community.

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Government Observance of Geneva Accords Anniversary

1. At ceremonies commemorating the 12th anniversary of the Geneva Accords on 20 July, the South Vietnamese Government once more publicized its uncompromising views on ending the war. A government communiqué stated that the bombings of the North would cease and that allied troops would be invited to leave the South after Hanoi abandoned its war effort, including the withdrawal of PAVN troops and the dissolution of the National Liberation Front.

2. The communiqué represented no significant change from previous statements on the subject, and left virtually no room for any negotiations which might

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end the war. In private, South Vietnamese Foreign Ministry officials also were reported pleased by Ho Chi Minh's recent public reaffirmation of a "hard line," feeling that it should dispel any "wishful thinking" on the subject of peace negotiations.

3. Negotiations which might lead to reunification once the war has ended, however, were alluded to in the communiqué and also were reportedly touched upon in a speech today by Tran Van Van, the chairman of the government's Civilian-Military Advisory Council. In another speech at the anniversary ceremonies in Saigon today, chief of state General Thieu is reported to have stressed the continuing need to strike at the North as long as the war lasts, and asked for more free world aid to achieve complete victory.

4. Thirteen North Vietnamese prisoners were released by the government at the Ben Hai River bridge dividing North and South Vietnam. Three others were scheduled to be repatriated, but were said to have refused to leave at the last moment. As a gesture of defiance toward the Saigon government, the 13 who did cross the border removed their outer clothing provided by the South Vietnamese before reporting to North Vietnamese officials on the other side of the river. North Vietnamese prisoners who were repatriated during the Tet holiday period last January also discarded government gifts as they crossed the border.

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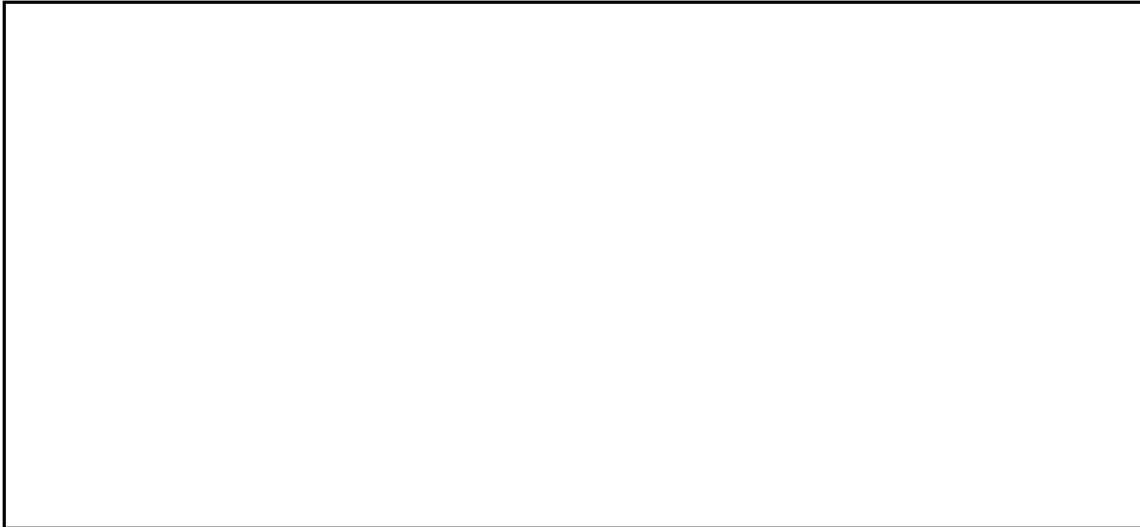


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Developments Within Government Opposition Groups

7. Catholic Father Hoang Quynh's "Front of All Religions" continued to proclaim its opposition to Premier Ky's government and the September election for a constitutional assembly by inviting a number of Vietnamese and foreign journalists to a reception on 21 July. The reception was highlighted by the attendance of militant Buddhist leader Tri Quang, who made his first public appearance in more than a month. Quang expressed particular support for the Front's election boycott, its demand for an interim government, and its call for the unity of the army and the people in order to defeat the Communists, and declared that the realization of these three points would allow him to end his fast.

8. Other notables attending the reception included three ranking monks from the Buddhist Institute and southern Buddhist lay leader Mai Tho Truyen. Truyen's decision last week to take part in the Front as an observer, although withholding "active" support for the present, probably gave Father Quynh's group somewhat of a boost, since Truyen previously had been quite critical of the recent Buddhist-led "struggle" movement.

9. Thus far, Father Quynh's Front apparently has limited itself to declaring its opposition to the government and the September election. Whether the Front

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or any of its supporters will embark upon a more active course is not yet clear. [REDACTED]

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[REDACTED] Quynh has no intention of taking positive action against the government, although he is opposed to the regime and believes that he must clearly state this if there is to be any hope of future unity between Buddhists and Catholics in South Vietnam.

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10. There continues to be no evidence of a concerted effort by the militant Buddhists to conduct a widespread election boycott, despite the cooperation of several militant leaders, including Tri Quang, with Father Quynh's Front. It is possible that Quang and other Buddhists currently view Quynh's Front as the most convenient vehicle at hand to continue publicity for their opposition to the government without inviting direct government retaliation. Meanwhile, policy and leadership problems within the Buddhist Institute were perpetuated last week by the stalemate between militant and moderate Buddhists, with few significant developments reported.

Election Developments

11. Former president of the Saigon City Council, La Thanh Nghe, who heads one list of candidates in Saigon, recently expressed concern to a US Embassy officer that the forthcoming elections would not live up to what he and others had expected, at least in the general Saigon area. Nghe, who expressed confidence that he would be elected, complained basically of a lack of prominent candidates in the Saigon area. Among other factors contributing to this situation, Nghe cited pressures from the Buddhist Institute, Father Hoang Quynh's group, a number of old-time politicians who had decided not to participate, and the Viet Cong. He also criticized the list system of voting, and mentioned a lack of confidence in the intentions of the government to conduct an honest election as another reason contributing to the scarcity of prominent candidates.

12. Meanwhile, following a preliminary survey, the US Embassy has reported that the number of candidates who have filed throughout the country is impressive. Candidates generally appear to be younger than

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those who ran last year in the provincial and municipal council elections, although a number of these councilors have also entered the September election. Small businessmen and educators are also well represented. Although their total numbers are not available, civil servants and military officers apparently are the major additions as candidates for this year's election. The embassy has also commented that the government's administrative performance regarding the election appears to have been most satisfactory thus far. Although public interest in the elections appears slight in most areas, it can be expected to grow as the candidates become known and as voter registration progresses.

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the Viet Cong in Dinh Tuong Province are planning to disrupt the forthcoming elections by various means, including the seizure of identification cards immediately before the election.

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Possible Government Moderation of its Policy Toward Chinese Minority

14. The Ky government may be in the process of softening its approach toward the Chinese minority in South Vietnam, and trying instead to win its cooperation and support. The mayor of Saigon recently underscored this trend in a conversation with a US Embassy officer by pointing to a number of steps that have been or will be taken by the government to improve relations with the local Chinese community. The low point in the present government's relations with the Chinese was probably reached several months ago when a Chinese merchant was publicly executed for profiteering. In view of the importance of the Chinese in the economic sphere, the elimination of hard feelings toward the government by the Chinese could in time have a favorable impact on current government difficulties in managing the economy.

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II. REVOLUTIONARY DEVELOPMENT

The June summary of the revolutionary development program prepared by the US Mission and the week's tally of Viet Cong defectors have not been received, and there is no other significant data available on these subjects. However, [REDACTED]

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[REDACTED] the pacification program in South Vietnam is being positively affected by the very fact of the influx of approximately 280,000 US military personnel. US troops and advisers are engaging in civic action programs specifically designed to raise the standard of living and social awareness of the populace with whom they come in contact. Recent developments in the southernmost national priority area have also been noteworthy.

US Military Civic Action Programs

1. An unheralded but increasingly significant contributor to the social and economic improvement of Vietnam's rural populace is the US military establishment, now nearly 280,000 strong. Military civic action programs have been in existence to a limited extent since the advent of the advisory effort. It was not until the first quarter of 1965, however, that military civic action was intensified, following the influx of US combat units operating independently of the advisory personnel.

2. The objectives of military civic action are twofold: to improve the living conditions of the people, and thereby help remove the sources of dissatisfaction upon which the insurgency feeds; and to gain and maintain the support of the people for the GVN through the psychological exploitation of civic action projects. Although methods vary among individual combat units and provincial advisers, most of the programs are short in duration but high in impact. The programs are targeted toward the general areas of education, public health, sanitation, agriculture, public works, and transportation. A peripheral but

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important aspect of US military civic action is increasingly to involve Vietnamese military personnel in big-impact projects that serve to heighten the villagers' acceptance of government troops.

3. Military civic action is closely coordinated, when possible, with USAID's numerous activities and with JUSPAO's (USIA) communications-media programs. Since there are US military advisory teams in every province capital and in 153 of the districts, these teams are in a favorable position to initiate and follow up not only their own civic action projects but also those of other US agencies. The ultimate distribution of USAID's commodities to the lowest level of the accessible population is more easily accomplished by advisory teams at the district level, where the military are the only permanent US advisers. JUSPAO assists military civic action mainly through the Vietnamese Information Service (VIS), which publicizes noteworthy achievements for distribution to the target audiences.

4. US military channels are used almost exclusively for the distribution of commodities under the voluntary assistance programs of both the Catholic Relief Services and CARE. In the first five months of 1966, military personnel gave approximately US \$750,000 worth of foodstuffs and kits for woodworking, masonry, sewing, textile, and educational projects to the Vietnamese people. Military personnel also distributed nearly 13,000 tons of CARE food, clothing and medical items during the same five-month period.

5. Medical assistance, widely recognized as a means of eliciting popular support from the peasant base in developing countries, is a prime element of military civic action. Over six million medical treatments ranging from inoculations to successful harelip surgeries were administered from February 1965 through May 1966, primarily to children and young adults. The six 16-man US surgical and medical teams who serve the provincial Vietnamese populace have built up an outstanding reputation under very trying conditions, not the least of which are overcrowded provincial hospitals and inadequately prepared indigenous assistants.

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6. Other tangible military civic action projects from February 1965 to June 1966 include the construction or rehabilitation of 122 schools, 65 bridges, 470 miles of roads, and 35 dispensaries. Technical assistance for the construction of the above projects is largely provided by four 13-man US Navy engineering teams. The recent assignment of 25 military men as provincial agricultural advisers has reportedly already begun to prove its value to a most significant element of revolutionary development.

7. The most demonstrative result that US military forces have achieved in relation to the pacification effort, however, is probably the provision of basic physical security to the Vietnamese people. Some 80 percent of the population is rural and largely apolitical, except in relation to essentially local issues. This rural populace, according to JUSPAO, is generally unaware of or indifferent to both national political issues and the revolutionary development program as such. It is understandable, therefore, that the most meaningful form of assistance to the rural people is the satisfaction of their basic desire for the protection of their lives and livelihood from the terror, coercion, and general harassment conducted by Communist troops.

Recent Developments in National Priority Area IV

8. In An Giang Province, the national priority area in IV Corps, an experimental pilot program to establish a self-contained community for villagers and resettled refugee families will be developed on a 6,000-hectare (nearly 15,000 acres) tract of land. Approximately 5,000 acres of the property will be distributed under the first enactment of the proposed land-reform measures. USAID and the GVN will provide agricultural credit to farmers and arrange for the supply of seeds. Training cadres will be available to instruct farmers in farm and home management and veterinarians will inoculate and treat livestock. Land and existing canals will be improved through the use of mechanized equipment rather than traditional native farm implements.

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9. The US draft of the complete land-reform program for An Giang has been completed and is considered enforceable by the province chief and the minister of agriculture. Officials do not expect any serious objections from the province's controlling Hoa Hao religious sect.

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III. ECONOMIC SITUATION

The prices of domestic commodities went up only slightly during the past week, but the prices of imported commodities continued to rise rapidly. With pork remaining in short supply, the GVN announced an increase in the official price for hogs and other measures designed to ease the situation. Initial ARVN/MACV actions in managing the Saigon port are promising. A one-day strike of construction workers at Cam Ranh bay appears to have been settled, but fears of a renewed strike in the Saigon area have grown.

Prices

1. The USAID index of retail prices rose by two percent during the week ending 16 July. No particularly large increases were registered. The price of Vietnamese rice went on rising slowly despite the continuation of subsidized sales of American rice, which is now accounting for about 20 percent of Saigon consumption. Hog prices leveled off at more than double the official retail level, and pork continued to be in short supply. Since the 18 June devaluation, the retail price index has risen about 20 percent. (A table of retail prices in Saigon is included in the annex.)

2. Prices of imported commodities continued to rise substantially during the past week. As of 6 July, the wholesale price of wheat flour, round iron bars, and wire rods had increased by 100, 137, and 135 percent, respectively, over their price of a month earlier when rumors of devaluation began to bid up prices. These increases exceed the price rise anticipated from the devaluation. Substantial price increases have also been recorded for cement, fertilizer, and chemicals. Although the unclear GVN announcement on customs duties may have confused some importers, the reasons for the continuing increases are not entirely clear.

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Currency and Gold

3. In the week ending 16 July the prices of gold and dollars remained at about the same level as the previous week. Gold sold at 308 piasters per dollar, up three piasters. Dollars rose two piasters to a level of 207 piasters per dollar, and the price of MPC (scrip) remained at 123 piasters per dollar. The gold and dollar markets appear to have stabilized considerably since mid-June when prices soared to predevaluation peaks of 462 and 270 piasters for gold and dollar, respectively. (Graphics on monthly and weekly free-market gold and currency prices are included in the annex.)

GVN Actions on Pork

4. On 16 July, Minister of Economy Thanh announced a 20-percent increase in the official price for hogs in Saigon, and the introduction of a sliding scale of bonuses to suppliers in accordance with the number of deliveries. The official price was raised from 5,800 piasters to 7,000 piasters per 100 kilos. Retail price ceilings for pork bellies and lean pork were also raised, and the GVN is requesting bids for the import of 1,000 to 1,500 tons of frozen pork. The GVN's Office of Supply is proceeding with air shipment of hog carcasses from An Xuyen Province for sale to GVN and certain other employees. Shipments since 14 July have ranged between 2.3 and 5 tons per day, compared to daily requirements for the general population in the Saigon area of 120 to 150 tons. As of 20 July, the increase in the official price had not yet had an effect on arrivals, which continued to average about one third of daily requirements in the Saigon area. Retail prices of pork, other meats, and fish fell slightly, however, in expectation of increased hog deliveries to Saigon.

5. The outlook for the eventual success of the measures announced by Thanh to ease the pork situation is uncertain and is unlikely to be clear for at least another week. The new official price is still considerably below the black market price, which had reached 9,000 to 12,000 piasters per 100 kilos prior to Thanh's announcement. The lag of nearly four weeks between the onset of the suppliers' strike and the raising of the official price gave the black market a chance to become

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entrenched and the problem of policing hog deliveries to the Gia Dinh Province area remains unsolved. On the other hand, the new official price provides suppliers with a sufficient margin over the prices in the main producing provinces of the delta where prices have remained 6,000 piasters per 100 kilos or less. During a recent trip to the delta, an embassy economic officer confirmed that hogs are available in the delta and that there has been no falling off in the hog population in recent months. The GVN proposal to import pork would presumably require the use of a ship with refrigerated storage to serve as a floating warehouse in the Saigon harbor. This move would add to Saigon's port problem, and Thanh may have suggested this proposal to pressure local suppliers.

Port Operations

6. On 5 July, the military commenced the movement of tax-free cargo through the Saigon port on a small scale and has since been accelerating cargo movements. The US Mission reports that Brig. Gen. Lam, the newly appointed director general of the Saigon port, is very energetic and aggressive, and is taking over the running of the port with firmness and dispatch.

Labor Problems

7. A walkout of 4,300 Vietnamese, Filipino, and Korean employees at the RMK construction project at Cam Ranh bay has apparently ended. On 20 July, about 40 percent of the strikers returned to work, and the rest were expected back on 21 July. A partial walkout by Filipino and Korean workers began on 18 July, and all employees cooperated in staging a completely effective strike on 19 July. The strike apparently was triggered by management attempts to tighten work rules. The US Embassy does not yet have details on all the issues involved or on how they were settled; initial reports, however, indicated that wages were not involved. Workers at the Cam Ranh project, which involves the construction of major port and airfield facilities, did not join the strike against RMK in the Saigon area last month, although Filipino workers were reported restive.

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8. RMK officials are concerned that a strike for higher wages may resume in the Saigon area on 25 July. Recent management soundings indicate that a wage strike is probable in the Saigon area after the distribution of pay envelopes that will include the increase effective 3 July. RMK indicates that the increase will average 17.5 percent, while a great number of workers apparently expect to receive the full 30 percent that they originally demanded. Vietnamese Labor Ministry officials doubt that another strike is imminent, but the US Embassy comments that there are rumors and reports of worker discontent.

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ANNEX

Weekly Retail Prices in Saigon a/
(In Piasters)

	3 Jan 1966	13 Jun 1966	20 Jun 1966	27 Jun 1966	5 Jul 1966	Percent Change from Mo. Ago	Percent Change from Yr. Ago
Index for all Items <u>b/</u>	<u>160</u>	<u>173</u>	<u>185</u>	<u>193</u>	<u>217</u>	+ 32	+111
Index for Food Items <u>b/</u>	<u>169</u>	<u>184</u>	<u>196</u>	<u>206</u>	<u>234</u>	+ 37	+120
Of which:							
Rice/Sou Nau (100 kg.)	800	1,250	1,350	1,350	1,400	+ 25	+ 40
Pork Bellies (1 kg.)	70	90	90	110	170	+143	+278
Fish/Ca Tre (1 kg.)	110	130	130	140	170	+ 48	+227
Nuoc Mam (jar)	50	70	80	85	85	+ 21	+ 70
Index for Non-Food Items <u>b/</u>	<u>124</u>	<u>134</u>	<u>145</u>	<u>147</u>	<u>157</u>	+ 13	+ 77
Of which:							
Charcoal (60 kg.)	440	460	500	500	550	+ 12	+112
Cigarettes (pack)	10	10	10	10	10	0	+ 25
White Calico (meter)	27	27	32	36	40	+ 54	+ 82
Laundry Soap (1 kg.)	30	34	35	37	40	+ 21	+ 90

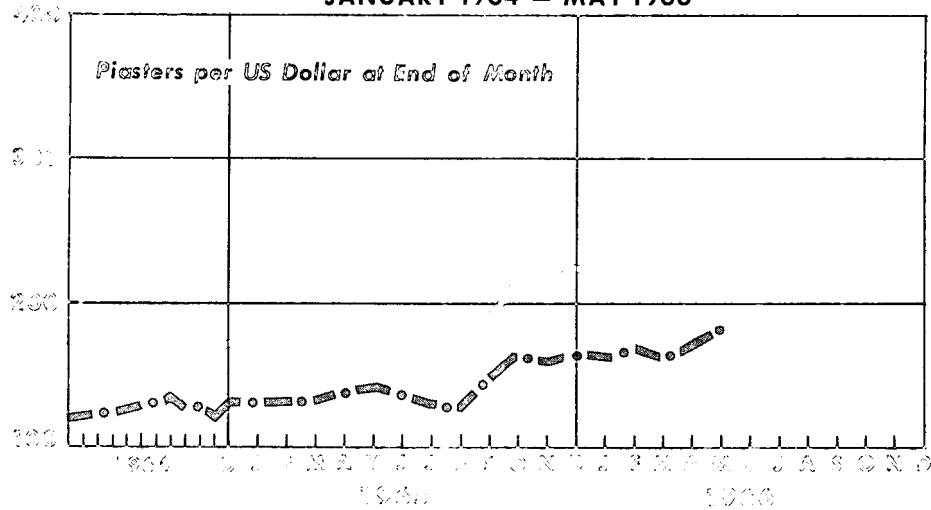
a/ Data are from USAID sources.b/ For all indexes, 1 January 1965 = 100.**SECRET**

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SOUTH VIETNAM ECONOMIC INDICATORS

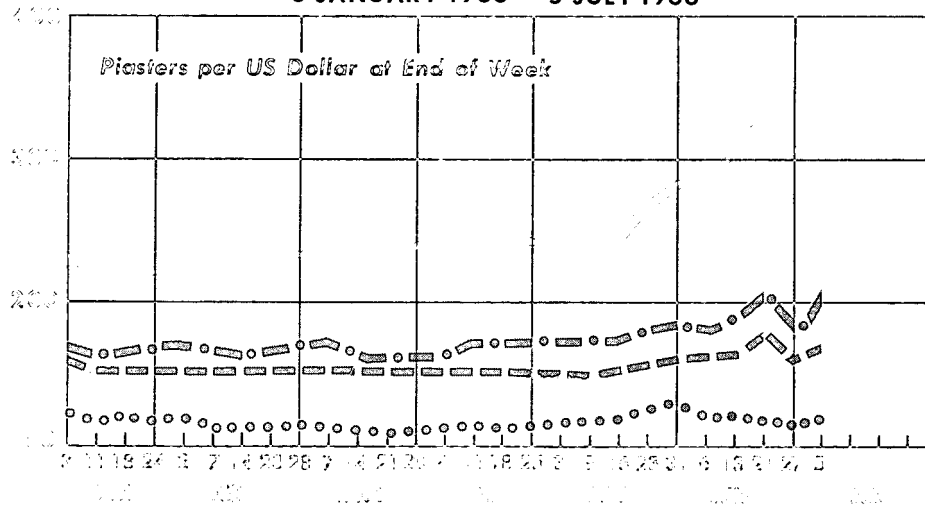
Monthly Free Market Gold and Currency Prices

JANUARY 1964 - MAY 1966



Weekly Free Market Gold and Currency Prices

3 JANUARY 1966 - 5 JULY 1966



GOLD (Saigon) - Piaster price per US dollar of gold calculated on the basis of gold leaf as worth \$35 per troy ounce.

—○— US \$10 GREEN (Saigon)

—■— PIASTER-DOLLAR CROSS RATE - Piaster-dollar exchange rate in Hong Kong calculated by reference to the exchange rates of these two currencies to the Hong Kong dollar.

○○○○ US \$10 MPC (Saigon) - Military Payment Certificates (scrip).