(19)



Approved For Release 2002/01/30 : CIA-RDP79100825A001400010020-8 NO FOREIGN DISSEM BACKGROUND USE ONLY

M

31 October 1966 No. 0397/66 Copy No. 149

INTELLIGENCE REPORT

THE SITUATION IN SOUTH VIETNAM

DIRECTORATE OF INTELLIGENCE

BACKGROUND USE ONLY

Approved For Release 2002/01/30 : CIA-RDP79T00826A001400010020-8

GROUP 1 Excluded from automatic downgrading and declassification This document contains information affecting the national defense of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.

55

Approved For Release 2002/0 SPC CIRP TO 0826A001400010020-8 NO FOREIGN DISSEM/BACKGROUND USE ONLY

CENTRAL INTELLIGENCE AGENCY Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM (24 October - 30 October 1966)

CONTENTS

POLITICAL SITUATION

Cabinet dispute nears resolution; Constituent assembly elections; GVN leaders reiterate stiff peace terms; Buddhist Institute developments; GVN attitudes and actions in regard to political prisoners.

REVOLUTIONARY DEVELOPMENT

Hamlet, area, and population control; Viet Cong resistance to Revolutionary Development; Security measures in Saigon harbor augmented; Viet Cong defectors (Chieu Hoi); Assassination and abduction of GVN personnel; Psychological operations.

ECONOMIC SITUATION

Prices; Currency and gold; Port situation; GVN foreign exchange reserves; Manpower allocation.

ANNEX: Weekly Retail Prices in Saigon (table)

South Vietnam Economic Indicators (graphs) -Monthly Free Market Gold and Currency Prices -Weekly Free Market Gold and Currency Prices

Approved From Rederals (2002) 139 M CHARREN TO BE CRET

Section T

11

III

Approved For Release 2002/01/30 : CIA-RDP79T008264001400010020-8



Approved For Release 2002/01/30 : CIA-RDP79T00826A001400010020-8

Approved For Release 2002/0 SE: GREET 9T00826A001400010020-8 NO FOREIGN DISSEM/BACKGROUND USE ONLY

I. POLITICAL SITUATION

Premier Ky has apparently persuaded four of his seven dissenting ministers to remain in the cabinet. This resolution of the cabinet problem, plus the government's plan to resolve the fate of various political prisoners, should tend to relax current political tensions for the time being. Meanwhile, the constituent assembly elected a reasonably well-balanced slate of permanent officers who will probably not encourage a confrontation with the government.

Among other developments, Chief of State Thieu and Premier Ky tended to interpret the Manila communique in terms of their own previous stiff prerequisites for a peaceful settlement. Militant and moderate Buddhists appeared one step closer to a formal organizational split following their unsuccessful special congress.

Cabinet Dispute Nears Resolution

1. After returning from Manila last week, Premier Ky told a US Embassy official that on 27 October he had obtained an agreement to remain in the government from four of the seven dissident cabinet ministers. The four who elected to remain are Deputy Premier Nguyen Luu Vien, Social Welfare Minister Lieng, Transport Minister Thuan, and Labor Minister Hung. Of the three who are leaving the cabinet, Education Minister Truong and Youth Minister Trieu will remain for a few days until replacements can be found. Economy Minister Thanh was to be officially replaced on 28 October, with former economy minister Ton taking over at least temporarily.

2. Ky did not mention any particular concessions to the ministers for their agreement, and none have yet been confirmed by any of the ministers involved. However, prior to the Manila Conference, there were

Approved For Release 2002/0555M/BACKGEOHTOD826A001400010020-8 SECRET

Approved For Release 2002/0 DEC CREEP TO0826A001400010020-8 NO FOREIGN DISSEM/BACKGROUND USE ONLY

some indications that Hung and Thuan were looking for a way to withdraw their resignations. In addition, one of those who did leave the cabinet, Vo Long Trieu, implied to a US official prior to Ky's return that he and most of the other ministers were no longer pressing for the removal of police chief Loan.

3. This resolution of the pending cabinet resignations, if in fact it is final, should take a good deal of heat out of the current political atmosphere by splitting the unity of the dissident ministers. During his conversations with a US Embassy officer on 27 October, Ky explicitly indicated his desire to avoid any further irritation of southern regionalism, thus suggesting that he may restrain some of his northern supporters from acting rashly in situations involving southern interests. In addition, the government's release of various political prisoners, which is now underway, may undercut to some extent the more ardent southern regionalists' ability to gain antigovernment sympathy from other political groups.

Constituent Assembly Elections

4. In its election of permanent assembly officers on 26 October, the constituent assembly generally chose a slate with regional, religious, and political balance that will probably not lead to any efforts to disrupt relations with the government. As was generally expected, Phan Khac Suu, a moderate southerner and former chief of state, was elected chairman, with a younger northern Catholic selected as secretary general. Two assistant chairmen, three assistent secretaries general, and two treasurers were also elected, and included one Hoa Hao, one Cao Dai, one Cambodian, two northerners, and two Dai Viet Party members from central Vietnam.

5. The northerners, Catholics, and Dai Viet Party members exhibited considerable cohesion during the balloting, and their candidates for secretary general and several of the lesser posts were successful. In addition, their choice for chairman, a Catholic Dai Viet, was a solid second behind the more

Approved FMP REPORT 2002/0650 MCPAR 50 70032560 70000010020-8 SECRET

Approved For Release 2002/01/SFCARE 700826A064400010020-8 NO FOREIGN DISSEM/BACKGROUND USE ONLY

prestigious southerner, Phan Khac Suu. No militant southern regionalist or known hard-line oppositionist to the government was elected to any of the top assembly posts.

6. The assembly subsequently adjourned for several days to allow for the official formation of blocs, as established in the assembly's procedural rules. In the future, deputies will be seated according to bloc membership. The selection of members for the assembly's permanent committees will probably begin early this week, with most attention focusing on the important constitution drafting committee.

GVN Leaders Reiterate Stiff Peace Terms

7. At a press conference in Saigon on 26 October following their return from Manila, government leaders tended to interpret the conference communiqué as an endorsement of their own previous stiff peace terms. General Thieu emphasized that the Manila Conference has led to greater unity among the conference participants regarding a common policy for restoring peace in Vietnam. Thieu then cited as preconditions for peace the cessation of all aggression and terrorism, and the withdrawal of all North Vietnamese units and hard-core Viet Cong cadre, with suitable international guarantees. Thieu stated that once these conditions have been met, he would request the withdrawal of allied troops within six months. In response to questions, both Ky and Thieu made it clear that they would never recognize the National Liberation Front as an entity separate from Hanoi, or be willing to include it in a coalition government. Thieu also declared that future meetings along the lines of the Manila Conference would be held in Saigon at ambassadorial or ministerial levels, and also pledged increased government emphasis on the "Open Arms," or Viet Cong defector, program.

Buddhist Institute Developments

8. After the extraordinary Unified Buddhist Association (UBA) congress ended in chaos on 22 October, militant delegates later met separately and elected their own chairman and council members for the Buddhist Institute, which acts as the UBA's

Approved FoloRetloastel 2002101 STEMCHARCINETED TON 326A90160001020-8 SECRET

Approved For Release 2002/05/16 CIRED TO0826A001400010020-8 NO FOREIGN DISSEM/BACKGROUND USE ONLY

executive arm. The next day, moderate leader Tam Chau declared the election fraudulent, withdrew his own earlier resignation as Institute chairman, and stated that he would retain the post until the expiration of his legal term of office in December 1967. Thus there are now two separate Institute chairmen--moderate Tam Chau and militant Thien Hoa-each with their own supporters and headquarters in Saigon.

9. These developments suggest that a formal organizational split between militant and moderate UBA Buddhists, who have been unable to resolve their differences since the closing days of the "struggle movement" this summer, is now one step closer. Moderate Tam Chau, whose supporters were in a minority at the congress, reportedly is considering the formation of a new national Buddhist religious organization with non-UBA Buddhist support. Chau, however, is a northerner with northern refugee Buddhists as his main supporters, and he may find it difficult to obtain needed Buddhist support in the delta in the present context of north-south regional tensions. In addition, one of the more prominent southern Buddhists lay leaders, Nai Tho Truyen, has been estranged from the UBA in the past because of personal differences with Tam Chau.

GVN Attitudes and Actions in Regard to Political Prisoners

10. The issue of political prisoners, a thorny problem for Vietnamese governments for the past several years, appears to be headed towards partial resolution. The government has decided that those individuals who are still under detention as a result of the three most significant political upheavals in recent years (November 1960, November 1963, and "struggle movement" of 1966) shall be tried, freed, or given amnesty or reductions in sentences.

11. According to a semiofficial press release, the government plans to conclude as soon as possible those cases still pending before the courts. In all cases to be tried, as well as in cases already adjudicated, amnesty or reductions in sentences will be considered if it can be shown that the defendants

Approved For Related 20021663301/ \mathcal{O} CACADROSIND8264003400010020-8 SECRET

had acted in accordance with orders of their superiors or within the framework of their duties. This principle appears to be designed for those whose major fault was being on the losing side, although it may be extended to those who have been accused or convicted of such tangible acts as physical violence against other persons.

12. No significant participants in the attempted coup of November 1960 are known to be still imprisoned, since most of these political prisoners were released following Diem's overthrow in 1963. Several officials who were prominent in the Diem government were released this weekend in a gesture of good-will before the 1 November National Day celebrations. Among those freed, however, was Tran Kim Tuyen, the head of Diem's secret police and a long-standing target of the Buddhists. Tuyen's release was described as "provisional" and he still faces prosecution on a number of unspecified charges.

13. The legal processing of large numbers of minor participants in the "struggle movement" is also expected to begin soon. Approximately 450 noncommissioned officers and men are to be returned to active military service, other military personnel will be arraigned before military courts, and a number of civilian cases will be turned over to the National Police for disposition. There is a possibility that some of the less extreme Buddhist "strugglers" will also be released on 1 November.

14. Such action by the government appears calculated to console both Catholics and moderate Buddhists and to generate some good will toward the government among these elements. It may also dispel charges of "police statism" leveled against the government by its domestic critics, and undercut the ability of aroused southern regionalists to garner antigovernment sympathy from other political elements.

I-5

Approved For Release 2002/01/30 CIA-RDF19T00826A001400010020-8 NO FOREIGN DISSEM/BACKGROUND USE ONLY

II. REVOLUTIONARY DEVELOPMENT

A modest gain was registered in the net number of hamlets (35) secured by the government during the month of September; this raises the total of hamlets in the country under secure government control to 4,190 out of a total of some 13,000 throughout the country. The Communists continue to resist the Revolutionary Development program. According to a recent report, they have established a counter effort to discredit it in Chuong Thien Province. The vital Saigon harbor facility has had its security screen improved by additional water patrol draft and a shore patrol of one company of the Police Field Force. The number of Viet Cong defecde la si Maria di S tors dropped during the week of 20-26 October, but the total of 1,561 for the month is already nearly double that of September.

During August, 67 assassinations were counted in South Vietnam, 35 of which were either officials or other government employees; further evidence that the Communists are continuing their effort to eliminate the GVN presence from rural areas. Revolutionary Development Cadres (RDC) in training at Vung Tau are now receiving instruction in psychological operations techniques in order to improve their performance in the field.

Hamlet, Area and Population Control

1. Moderate progress was made in the Revolutionary Development Program during the month of September, with a net total of 35 more hamlets secured. Although this is a sharp drop from the net of 67 hamlets secured in August, it is slightly above the monthly average of 31 hamlets so far in 1966. Part of the drop in September may be ascribed to the emphasis by government officials and Revolutionary Development Cadres (RDC) on getting the vote

Approved For Release 2002/01/SECREEDE/100826A001400010020-8

Approved For Release 2002/01/30 CCARDE TO0826A001400010020-8 NO FOREIGN DISSEM/BACKGROUND USE ONLY

out for the 11 September elections, thus distracting the officials from pacification tasks. A list of the number of hamlets secured during September by corps follows:

Ι	Corps:	12			
II	Corps:	-14	2 - G	 :	; ;
III	Corps:	15			
IV	Corps:	22			

2. This raises the number of hamlets now under GVN control to 4,190, out of a total of approximately 13,000 throughout the country. There was a nationwide increase in secured population of 0.4 percent, bringing the total to 8,351,400 out of a total estimated populace of 15,016,300. Progess in securing the population was accomplished in one autonomous city, Dalat, and in 24 provinces. No change in the secured population status occurred in 15 provinces and four autonomous cities. Some regression was noted in the vicinity of Cam Ranh city, due largely to hamlets previously declared "secure" failing to sustain all criteria for a secured area. It is probable that the change is technical and not due to recent Viet Cong inroads.

3. There was a net increase throughout the country in hamlets and population undergoing securing of 30 and 0.3 percent, respectively. Most of the net increase in the number of hamlets undergoing securing may be accounted for from the Cam Ranh area where a total of 27 hamlets were downgraded from secured to undergoing securing.

4. In the "undergoing clearing" category, there was a net countrywide increase of 149 hamlets.

Viet Cong Resistance to Revolutionary Development

5. Refugees from several hamlets in central Chuong Thien Province have reported to members of a civil action team operating in that area that the Viet Cong have

Approved For Reference Love Sector Se

Approved For Releve 2002/01/30 CIA-RDF79T00826A001400010020-8 NO FOREIGN DISSEM BACKGROUND USE ONLY

initiated a program to discredit Revolutionary Development Cadres operating in that province. The refugees say that this campaign is in retaliation for artillery and air strikes which have been directed against a Communist training area where 50 trainees were killed. The students in this camp, according to the refugees, were being instructed in ways to counter the Revolutionary Development effort in the province. This report is one more of several which have been received which indicate that the Viet Cong are seriously concerned about the effectiveness of the Revolutionary Development program as it is being carried out at the present time.

Security Measures in Saigon Harbor Augmented

6. Early this month, security forces protecting the vital Saigon Marbor facility were augmented by additional river patrol craft and shore patrols. Some 21 watercraft, including seven larger patrol boats supported by smaller assault-type craft, will establish checkpoints at several critical locations on the Saigon River. Four other assault craft will patrol assigned beats on the river and adjacent waterways. In all, a total of 98 men will be added to the river patrol force, raising its total strength to 253.

7. On the land, a Police Field Force Company will patrol a troublesome squatter area on the Gia Dinh Province side of the river, while the Harbor Police will continue to watch over the dock areas on the Saigon side.

8. The augmentation of waterway and shore patrols in the Saigon harbor area should make it more difficult for dockside looters to operate and should also provide a tighter security screen to thwart Viet Cong sabotage efforts against ship and docking facilities.

Viet Cong Defectors (Chieu Hoi)

9. After three successive weeks of gains, the number of Viet Cong defectors for the week of 20-26 October dropped to 392, a decrease of 85 from the previous week's total of 477. A breakdown of returnees by dorps areas follows:

NO FOREIGN DISSEM/BACKGROUND USE ONLY Approved For Release 2002/01/30: CIA-RDP/9100826A001400010020-8 SECRET

Approved For Release 2002/01/ CARE 100826A00 400010020-8 NO FOREIGN DISSEM/BACKGROUND USE ONLY

I Corps: 33 II Corps: 194 III Corps: 38 IV Corps: 127 <u>392</u> (222 military)

10. Although the number of defectors for this week was down, it is still the second highest for the month; last week's total was the highest. So far this month there have been 1,561 Chieu Hoi returnees, nearly double September's total of 885. Since the beginning of the year, 14,698 defectors have come over to the GVN.

Assassination and Abduction of GVN Personnel

11. In an effort to maintain their grip on and extend their influence over the people and countryside, the Viet Cong are continuing to use the twin weapons of terror: assassination and abduction. A recently received report from the embassy in Saigon dealing with assassination and abduction during Augusts points up the fact that GVN officials and employees, whose primary mission is bringing central government security and services to the people of the rural areas, continue to be prime targets of this "red terror," which took a total of 122 lives during the period.

12. Sixty-seven of the deaths were assassinations. Twenty were village or hamlet officials of the South Vietnamese Government, ten in each category. There were 15 other government employees assassinated, including eight civil servants, and three National Police.

13. Fifty-five of the killings were the result of "general incidents" wherein hit-and-run type terrorist acts by the Viet Cong resulted in civilian deaths. Among these were several civil servants, a National Policeman, and 12 Revolutionary Development Cadres (RDCs).

14. The Communists kidnaped 303 persons during August, 20 of whom were government officials from either the province or hamlet level. Thirteen other

Approved For Reference 2002/0406 Eduard 2000 20-8 SECRET

Approved For Release 2002/01/35 Eccupier 00826A004400010020-8

government employees were abducted, including two policemen and 11 RDCs. The rest of those kidnaped were private citizens, several of whom were defined in the report as "prominent citizens" or "inotables." While the number of private citizens kidnaped was high, there is no accurate way of telling how many of these persons were subsequently released by the Viet Cong. Many of those kidnaped lived in remote areas (Darlac Province 52, Quang Duc Province 119, Go Cong Province 60), and may have been pressed into service as porters for the Viet Cong or propagandized and later released. Insofar as GVN officials are concerned, it is likely that they will either be killed or held for extended periods of time; they will be released only after they have been thoroughly "reindoctrinated."

15. The assassination of government officials for the first six months of this year is running at less than one half the rate for the same period in 1965, (420 and 991, respectively). Allied military success in the past year may have been partially responsible for the drop off; even so, however, it is clear that the Viet Cong are continuing their efforts to eliminate or thoroughly intimidate government servants in the rural areas. Comparative figures on abductions are not available.

Psychological Operations

16. Under the guidance of the JUSPO representative at the Vung Tau Training Center, a course of instruction in the fundamentals of information work and psychological operations techniques is now being given to Revolutionary Development Cadre trainees. This training, instituted only last month, is stll in its formative stages and the JUSPO representative is anxious that it be on a par with other training received by the trainees. Training in information and psyops techniques should improve the RDCs' ability to more effectively impart their programs to the people with whom they will be working in the hamlets.

NO FOREIGN DISSEM/BACKGROUND USE ONLY Approved For Release 2002/01/30: CIA-RDP/9100826A001400010020-8

III. ECONOMIC SITUATION

Retail prices in Saigon, which had declined for five consecutive weeks, rose five percent during the week ending 24 October largely because of higher food prices. The prices of two varieties of rice are now at their previous 1966 highs, while the price of the cheapest variety of rice reached a new 1966 peak. Prices of imported commodities also rose, reportedly because of anticipation of future shortages of imported goods and of even higher prices. Free market godd and currency rates, on the other hand, rose only slightly in the week ending 24 October despite public knowledge of the cabinet crisis.

It has become clear that the positions of the US and the GVN on the use of the growing volume of GVN foreign exchange reserves are still very far apart. The US Embassy feels that there is no chance for agreement on this issue unless pressure is brought on Premier Ky. Fourteen provinces have been instructed by the GVN to establish provincial employment committees to control the hiring of Vietnamese by US and allied military ageneits cies and civilian contractors. The US Embassy questions whether a system for manpower allocation is necessary and, if so, whether GVN employment committees are the most efficient way to achieve the allocation.

Prices

1. Saigon retail prices, which had declined steadily for five consecutive weeks, rose five percent during the week ending 24 October. Higher food prices accounted for most of this increase;; the food index was up six percent whereas the nonfood index showed a gain of only one percent. Rice prices continued to rise because of hoarding in anticipation of future supply shortages resulting from the recent flooding of the Mekong. The prices of the most expensive variety of rice and the type of rice used by the working class are now at their previous 1966 highs, while the price

.

III-1

Approved For Redense (2002/05/32M ChA Ch2Ch70 TN08269 20 0400010020-8 SECRET

Approved For Release 2002/01/SOFCIA RDF T00826A064400010020-8 NO FOREIGN DISSEM/BACKGROUND USE ONLY

of the cheapest variety of rice reached a new 1966 peak. Vegetables and most types of meat and fish also rose during the week ending 24 October, although the reasons for these increases are not yet clear. The price of pork, which on 17 October reached its lowest level since 6 June, returned to its early October level of 85 piasters per kilogram (see paragraph 4). (A table of weekly retail prices in Saigon is included in the Annex.)

2. Prices of imported commodities rose for the second week. According to the USAID price index for selected US-financed imports, prices of imported commodities on 25 October were about four percent above the previous week. The slightly higher prices for imported commodities noted during the week ending 18 October reportedly resulted from increased demands for materials--especially iron and steel products-needed for reconstruction in the delta. USAID has advanced a number of other reasons, however, to account for the most recent price increases. Among these are the news of a low import license application rate, indicating a possible future shortage of imports, and an expectation of even higher prices as a result of former minister of economy Thanh's statement that there will be a 30-percent increase in next year's budget.

Currency and Gold

In spite of public knowledge of the cabinet 3. crisis, free market rates for currency and gold on 17 October were well below those of the previous week and rose only about two plasters each by 24 October. Local sources suggested that increased supplies of gold and currency might have come on the market. On 24 October the price of gold was 242 piasters per dollar--the official rate--or about two piasters below the rate prevailing at the beginning of October. The price of dollars, which had fallen to 164 piasters per dollar on 17 October, was 166 piasters on 24 October. The rate for MPC (scrip) continues to remain below the official rate of 118 piasters; on 24 October the rate was 115. (Graphics on monthly and weekly free market gold and currency prices are included in the Annex.)

Approved FNP REPRESE 20020 HEARD PARD PTOTE 28 AD 1000010020-8 SECRET

Approved For Release 2002/018 CLARD 7 100826A064400010020-8 NO FOREIGN DISSEM/BACKGROUND USE ONLY

Pork Situation

4. On 24 October the price of pork in Saigon was 85 piasters per kilogram compared with 70 piasters per kilogram on 17 October -- the lowest price since 6 June. This low price resulted from official sales of frozen pork and an abundance of live hogs arriving from the flooded areas of the Mekong delta. The ship that carried the 1,500 tons of frozen pork to Saigon has now been completely offloaded and sales of frozen pork continued through 20 October. About 550 tons of frozen pork remain in cold storage in Saigon. The increase in the price of pork on 24 October reportedly resulted from the fact that this remaining quantity of frozen pork was being held off the market in view of the large quantity of live hogs now arriving in Saigon. Presumably, the price of pork will decline somewhat as these hogs are made ready for sale.

GVN Foreign Exchange Reserves

5. During the recent US-GVN economic discussions in Washington, it appeared that the two countries had come fairly close to an agreement on the use of the growing volume of GVN foreign exchange reserves. It is now clear that the positions of the two sides on this issue are still very far apart. Former minister of economy Thanh recently told US officials in Saigon that he had suggested to Premier Ky the establishment of a GVN postwar development fund. All GVN foreign exchange earnings beyond a certain level would not be counted as reserves. but rather would be deposited in this special fund to which the US would make matching contributions either now or later. Thanh reportedly suggested an exchange reserve level of \$300 million to Ky, whereas the US feels that GVN reserves should be held to \$200 million. Although Thanh reported that Ky seemed attracted to this idea. US officials informed Thanh that such a scheme would not solve the foreign exchange problem.

6. Further indications of basic disagreement on GVN foreign exchange reserves emerged from the discussions held by USAID Director MacDonald with Governor Hanh of the National Bank of Vietnam and with Economic and Financial Adviser Ton just prior to the Manila conference. The

Approved For Release 2002/01 SFCARDE T00826A001400010020-8 NO FOREIGN DISSEM/BACKGROUND USE ONLY

director of USAID explained to these officials that the US envisaged GVN participation in financing imports under the commercial import program (CIP) to the extent that GVN reserves exceeded \$200 million. As GVN financing reduced requirements for CIP funds, the US would use any savings under \$350 million-the amount of aid allocated by the US for the CIP-to increase the project program above the \$130 million level now planned.

7. Hanh pointed out that although GVN reserves currently total \$263 million, there are claims of \$173 million against these reserves. According to Hanh, therefore, the GVN has free reserves of only \$90 million, which is the amount that the US and GVN should be discussing. The US insisted that discussions should center on total foreign exchange holdings. Hanh then dropped his free reserve argument and asked if the exchange reserve problem could be solved by GVN purchases of two-year bonds. Again, the US held firm, stating that although two-year bonds would be a good way to hold GVN reserves, bond purchases would not solve the problem of the increase in GVN reserves.

The USAID director made it very clear to Hanh 8. that the US and GVN would simply have to make a very serious effort to solve this problem in order to demonstrate that both countries are making a maximum contribution to the war effort. It was pointed out to Hanh that the US public would not understand why the US should be making a maximum contribution in lives and money while the GVN was building up its bank account. Vietnamese officials said they understood the US position, but that they, too, had a political problem. The discussions concluded with only a promise that this matter would be brought to the attention of Premier Ky before his departure for Manila. The US Embassy feels that there is no chance for an agreement unless pressure is brought on Ky because no one of lower rank will risk being charged with selling out to the US.

Manpower Allocation

9. The GVN recently confirmed that 14 provinces, including the Saigon - Gia Dinh area, have been instructed to establish provincial employment committees

Approved F&P REGEST 200270 7955 MCPAREPPHOR28/860 2060 20-8 SECRET

Approved For Release 2002/01 Str. (ARDF/TT00826A064400010020-8 NO FOREIGN DISSEM/BACKGROUND USE ONLY

to control the hiring of Vietnamese by US and allied military agencies and civilian contractors. This development, which was not discussed in advance with US authorities, was discovered when the Bien Hoa Province chief announced the establishment of the "Bien Hoa Employment Committee" on 5 October. According to the rules of this committee, civilian contractors and military units are to refrain from employing Vietnamese personnel directly. The committee, which is under the control of the province chief, is to allocate personnel as it sees fit. Ostensibly, the committee was established to end competition for scarce workers and to ensure in the process that US manpower needs do not deprive the Ministry of Revolutionary Development of recruits for its projects.

10. At a meeting with officials of the GVN Ministry of Labor on 22 October, representatives of US employers protested that this new system of hiring would hamper their operations, which are already burdened by GVN security clearances and other red tape. One for official declared that the GVN really is being motivated by the need to provide local politicians with an additional source of graft. GVN officials insisted that the new system would expedite security clearances, reduce graft, and provide job priorities for veterans, refugees, and relatives of deceased soldiers. In a private conversation with the US labor attaché, however,

who had not been present at the meeting, stated that giving employment committees a monopoly on hiring would only increase graft to the detriment of the workers and increase the bureaucracy to the detriment of employers. This issue is to be discussed again with GVN officials.

11. The US Embassy feels that the basic question is whether a system for manpower allocation is necessary and, if so, whether GVN employment committees are the most efficient way to achieve the allocation. At a minimum, the system of GVN provincial employment committees would present the following problems: a) the committees' hiring restrictions do not apply to private employers, who also are keen competitors for labor; b) the committees would examine the manpower problem only from a provincial viewpoint, whereas the

Approved FNOREIGEE 200200530EMC BARDER DTD0825/50E014000010020-8 SECRET

25X6

25X1A

25X6

Approved For Release 2002/01 SEC Rop 9 00826A064400010020-8 NO FOREIGN DISSEM/BACKGROUND USE ONLY

problem is a national one that may require allocation of manpower among provinces; c) the provincial offices of the Ministry of Labor are not capable of handling the work for which they would be responsible.

 \tilde{a}

Approved For Release 2002/01/SECARDEF T00826A004400010020-8 NO FOREIGN DISSEM/BACKGROUND USE ONLY

WEEKLY RETAIL PRICES IN SAIGON $\underline{a}/$

	3 Jan 1966	3 Oct 1966	10 Oct 1966	17 Oct 1966	24 Oct 1966
	1999				<u></u>
Index for All Items <u>b</u> /	160	209	201	197	207
Index for Food Items $\underline{b}/$	169	213	203	198	$\underline{211}$
)f which: (In piasters)					
Rice/Soc Nau (100 kg.)	800	1,400	1,450	1,450	1,500
Pork Bellies (1 kg.)	70	85	85	70	85
Fish/Ca Tre (1 kg.) Nuoc Mam (jar)	$\frac{110}{50}$	$\frac{160}{85}$	$\begin{array}{c} 140 \\ 85 \end{array}$	130 85	$\begin{array}{c} 140 \\ 85 \end{array}$
	00	00	00	00	65
ndex for Non-Food Items \underline{b}	$\frac{124}{2}$	$\underline{191}$	194	193	196
)f which: (In piasters)					
Charcoal (60 kg.)	440	600	600	610	630
Cigarettes (pack)	10	14	14	14	14
White Calico (meter) Laundry Soap (1 kg.)	27 30	32	31	32	33
Launury Soap (I kg.)	30	40	44	40	40

 \overline{c} / Preliminary

Approved For Release 2002 Polystem BARKEPS100826 AD0 1900010020-8 SECRET

Approved For Release 2002/01/30 : CIA-RDP79T00826A064400010020-8



Approved For Release 2002/01/30 : CIA-RDP79T00826A001400010020-8

Approved For Release 2002/01/SOE CIA RDE 9 00826A00+400010020-8

Approved For Release 2002/01/30 : CIA-RDP79T00826A001400010020-8 SECRET

.