

Secret

No Foreign Dissem



DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Situation in South Vietnam *(Weekly)*

- **Secret**

144

31 July 1967
No. 0361/67

WARNING

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.

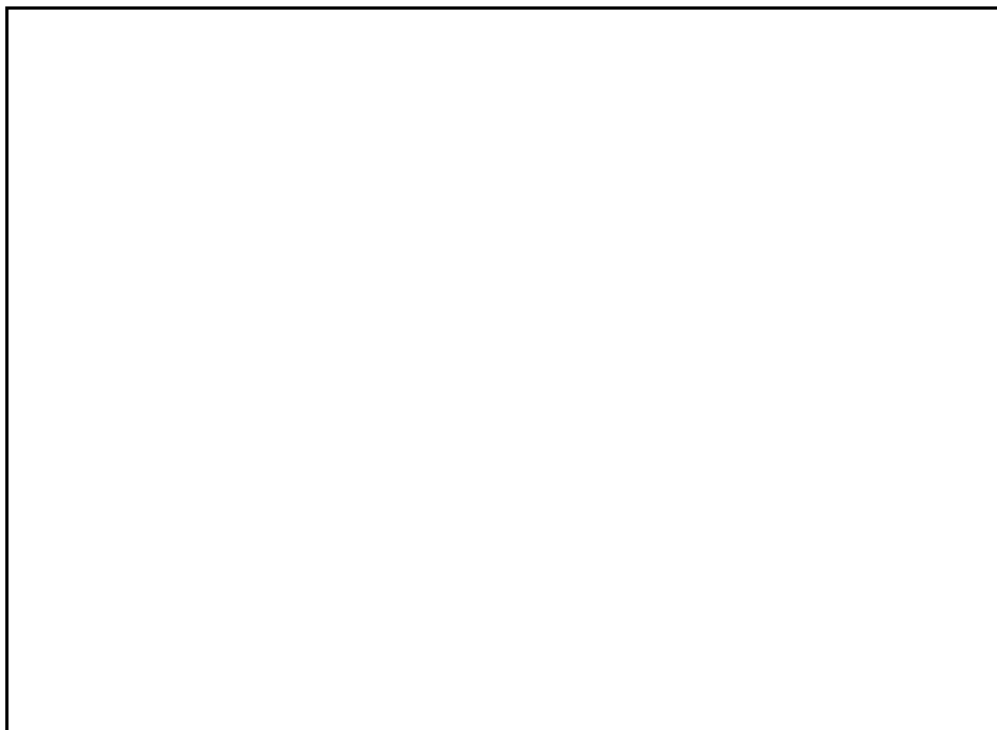
GROUP 1
EXCLUDED FROM AUTOMATIC
DOWNGRADING AND
DECLASSIFICATION

25X1

Approved For Release 2005/08/01 : CIA-RDP79T00826A002400390001-7

Approved For Release 2005/08/01 : CIA-RDP79T00826A002400390001-7

I. POLITICAL SITUATION



25X1

1. The newly formed Central Election Campaign Committee, which consists of two representatives from each of the 11 presidential tickets, has outlined the major aspects of the campaign that starts next week. In accordance with the electoral regulations, the candidates are scheduled to make 24 joint appearances, mostly in the provinces, in the month before the election. They will appear on television three times, speak on the radio once, and hold two joint press conferences. Candidates are not allowed to use public buildings or government offices for additional speeches, but they may speak in their own homes or in restaurants. According to the US Embassy, the campaign committee's schedule is not mandatory; there has been no elaboration thus far on what the candidates will be allowed to do on their own.

I-1

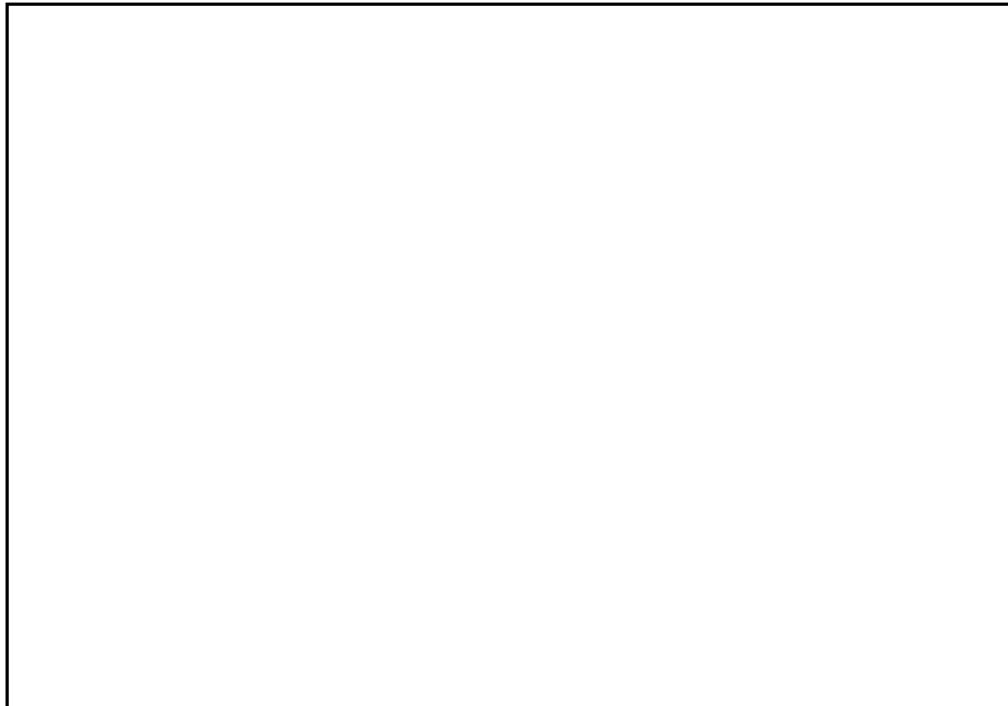
25X1

Approved For Release 2005/08/01 : CIA-RDP79T00826A002400390001-7

Next 2 Page(s) In Document Exempt

Approved For Release 2005/08/01 : CIA-RDP79T00826A002400390001-7

II. REVOLUTIONARY DEVELOPMENT



25X1

Corruption Among Vietnamese Officials

1. US officials believe that IV Corps commander General Nguyen Van Manh has so far succeeded in gradually replacing some of the worst IV Corps province chiefs appointed by his predecessor, General Quang. The newly appointed province chiefs of Phong Dinh, Chuong Thien, Vinh Binh, and to a slightly lesser extent Kien Giang have shown unusual enthusiasm about reducing the degree of corruption and appear to be relatively effective administrators.

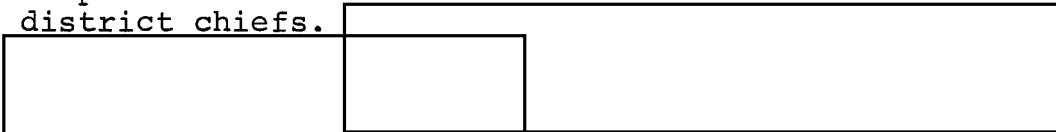
2. In a conversation with a US official, General Manh claimed that thus far this year about 30 military personnel had been removed for corruption in IV Corps. Manh apparently prefers to punish military officials by removing them from office rather than by prosecuting them. He said that trials are too lengthy and present "other problems"--presumably a reference to the political problems and disclosures such trials could bring.

SECRET

No Foreign Dissem/Background Use Only

3. Manh does not appear personally to be overly concerned with corruption and seems to accept it as a part of normal administrative affairs. He has, nevertheless, appointed a number of officials who appear to be striving to reduce corruption, and has not yet interfered with the anticorruption policies of his new appointees.

4. Lieutenant Colonel Pham Ba Hoa, the new chief of Phong Dinh Province, has removed or suspended several technical service chiefs and district chiefs.



In Vinh Binh, the new chief, Lieutenant Colonel Tran Binh Qui, has removed the provincial RD warehouses from the control of the reportedly corrupt RD chief, and is checking into alleged payroll padding by the long-entrenched provincial police chief. The new province chief of Kien Giang, Major Le Truong Dam, who is a brother-in-law of General Manh, is considered by US advisers to be much less corrupt than his predecessor, but some Vietnamese officials in the province have criticized Dam's administrative effectiveness. Since such criticism is something rarely heard in the delta, this could reflect either a lack of respect for the new Kien Giang Province chief or a new feeling of independence on the part of some local Vietnamese officials.

5. Although some headway is being made both by senior government officials and by the RD teams in implementing the anticorruption campaign, any significant elimination of corruption will be slow in coming. As elsewhere in the Orient, use of public office for private gain is an accepted practice in Vietnam and, in some cases, an economic necessity for government officials. Often, Vietnamese officials can only remain in office by acquiescing in malfeasance by their superiors or subordinates, and the expense of office often obliges them to engage in illicit activities themselves. Inflationary pressures and other dislocations of the war have further multiplied both the temptations and opportunities of

II-2

X1

25X1

officials to misuse their office for personal gain. There have been reports over the past several months of some degree of corruption among provincial and district officials in Quang Nam, Quang Ngai, Binh Thuan, Pleiku, Long Khanh, Phuoc Tuy, Long An, and Bac Lieu provinces. This list is by no means believed to be all-inclusive.

Further Changes in the National Police

6. The regional director of the National Police in II Corps, Nguyen Binh, was relieved of his duties on 3 June by Major Cao Van Khanh of the Military Security Service (MSS). The dismissal of Binh, a career police official, appears to have been part of the continuing effort by the director general of the National Police, General Nguyen Ngoc Loan, to fill high-level police positions with MSS personnel who have some loyalty to himself. Since Binh was purported to be a member of the Revolutionary Dai Viet Party which is running its own candidates for the presidency and for the senate, his removal by General Loan may also have more immediate political motivation.

7. Even before the change of command at II Corps, there were other indications that General Loan was moving to install MSS leadership among the police at the regional and provincial levels. On 16 May the Dalat city and Tuyen Duc provincial police organizations were merged and placed under the command of MSS Captain Nguyen Nhu Vy. Other contributing factors in the Tuyen Duc reorganization, however, may have been the reported corruption of the Dalat city police chief and the frequent jurisdictional disputes between province-district police officials and those of the city, which is autonomous.

25X1C

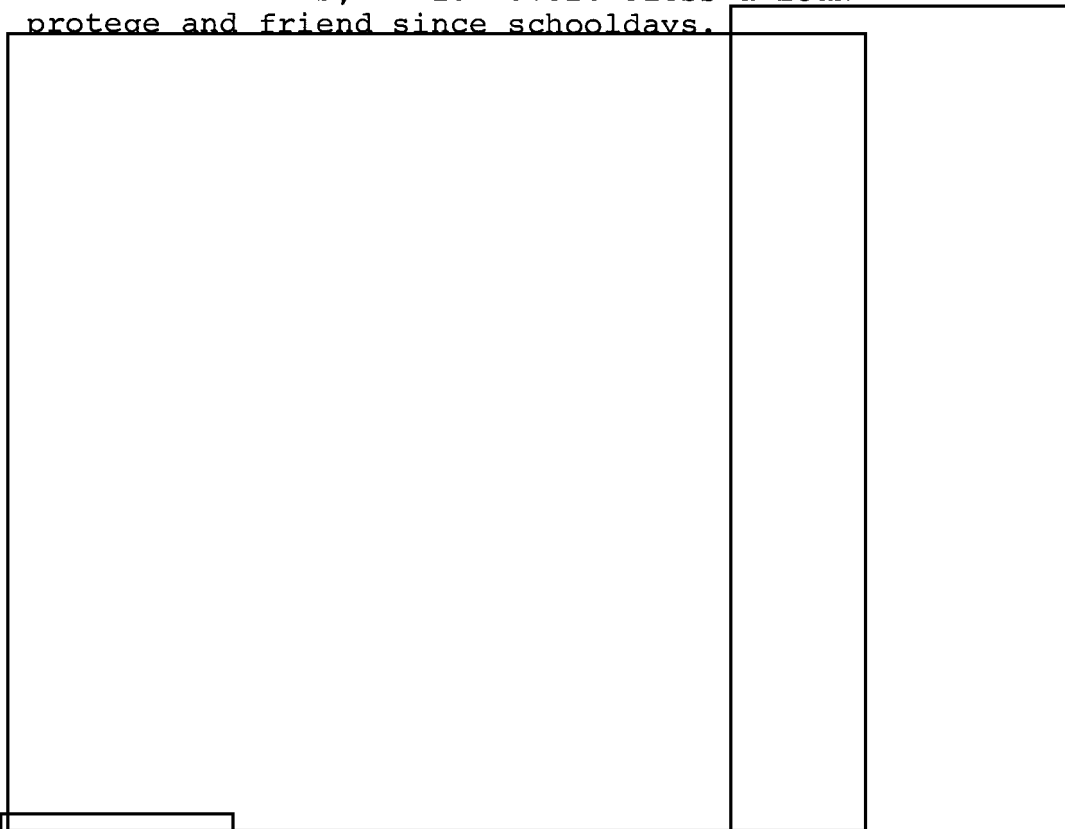
25X1C



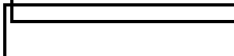
25X1

8. By the end of June the takeover by MSS personnel of the National Police organization in III Corps was virtually completed. Only two of the 12 III Corps provincial police chiefs are now civilian police officials. Although the regional director, Major Bui Hop, apparently is not from the MSS, he is nevertheless a Loan protegee and friend since schooldays.

25X1



X1



Since General Loan became director of the National Police, there have also been indications of improved over-all police effectiveness.

X1

Youth Affairs

10. In the youth program established by the US Mission in Saigon, the mission has taken the initiative in identifying, influencing, and training Vietnamese youths it anticipates will in five to 15 years hold positions of influence and authority in the country. The mission has also assisted the government in developing programs designed to broaden the leadership base of the country and prepare young Vietnamese for future responsibilities. Mission activities among Vietnamese youth were greatly increased in mid-1964 as a result of concern over mounting student political demonstrations and disruptions.

11. The first major youth civic action program was initiated in November 1964 when severe flooding occurred in central Vietnam. As a result of participation in the flood relief effort, a group of student and youth leaders representing a variety of religious and political forces requested US assistance in the development and implementation of nation-wide youth civic action programs. One of the programs which resulted was the Summer Youth Program (SYP). In 1965 the SYP sent approximately 7,000 youths from 26 provinces and Saigon into the rural areas to assist in small-scale socio-economic development projects. In 1966, an improved program sent more than 12,000 young people from 31 provinces and Saigon into the rural areas and urban slums under the direction of some 300 youth leaders.

12. One of the most significant programs to evolve out of the 1965 SYP was the "Eight District Development Program" in Saigon. In August 1965, Premier Ky granted control of the city's poorest district to a group of young professionals, military officers, and youth leaders. Their work was so successful in promoting self-help projects and self-government that the program was expanded to include Districts Six and Seven, with a combined population of over 350,000 people.

13. In order to ensure better coordination and more emphasis on youth affairs, a two-level mission committee on youth affairs has been organized. The deputy ambassador will be the chairman of the policy committee, and the present interagency youth committee is being reorganized into the working group of the policy committee. In addition, a full-time youth affairs officer will be assigned to the political section of the US Embassy, and a youth officer position has been authorized for each regional staff. This will integrate youth affairs and the Vietnamese equivalent of the 4-H projects--now to be administered jointly by the Agriculture Division and the Youth Affairs section--into the CORDS structure.

Problems in Public Health

14. According to US advisers, the Vietnamese Ministry of Health (MOH) has neither the resources--nor, perhaps, the desire--totally to mobilize the health manpower and material assets of the country and to develop a national health plan. Because of the demands placed upon USAID's Public Health Division (PHD) to supply personnel resources in support of a multitude of crash programs, and because of the lack of USAID-MOH counterpart interplay, the PHD has, likewise, been unable to develop or assist in the development of a national health plan for South Vietnam. Furthermore, the expertise to develop such a plan in depth has, up to this time, not been available to USAID or to the MOH. One of the problems US advisers are confronted with is that the personnel in the upper echelons of the MOH are not secure in their positions and therefore the whole administrative structure of the ministry is too unstable. Officials in the MOH are reluctant to identify even current resources on which to base future programs and requirements. Crash medical programs--short range and high impact--have been politically expedient.

SECRET

No Foreign Dissem/Background Use Only

15. Based upon the differing cultural approaches to medicine, there has been a tendency by some advisers to underrate the Vietnamese resources. There does exist a large number of trained Vietnamese, but they are not being equitably utilized--especially those medical personnel and facilities belonging to the military. Many of the problems in the underutilization of manpower can be attributed to the Vietnamese budget and pay scale, but as the US fills the gaps, the Vietnamese apparently feel less of a compulsion to expend their full capabilities and meet their responsibilities.

16. Some advisers feel that in a number of cases the MOH may be more realistic about Vietnamese conditions than its US counterparts. One often mentioned example of this has been the hospital rehabilitation and renovation program. In this program US officials produced a plan to give the Vietnamese what they should have to practice medicine by Western standards, whereas minimal renovations might have established something the Vietnamese could staff, finance, and maintain themselves.

17. The PHD advisory effort has become aware of these problems and is now working to consolidate its efforts, as well as to program current resources for the long term and to reduce the turnover of PHD personnel. USAID officials in Saigon also believe the provision of qualified US supervisory personnel to direct regional and national level health affairs and to channel the enthusiasm and aggressiveness of the US and free world medical effort along policy lines agreed to by the GVN and US has been marginal.

Electric Power in Saigon

18. The Vietnamese Government has decided to establish an independent public power company to operate the plants and facilities now run by the Compagnie d'Eau et Electricite (CEE) when the CEE

franchise expires on 31 December 1967. It is now planned that the new company will be self-supporting and will absorb all the public electric facilities connected with the Saigon generating plant. In addition, plans are being made to double electric power generation and distribution facilities in the Saigon area.

19. USAID and the GVN secretary of state for Public Works have concluded an agreement whereby AID will lend \$32 million and the GVN will allocate one billion piasters over a four-year period for the expansion of the electric power facilities in the Saigon area. The \$32 million US grant will be in the form of a 20-year loan which will be repaid into the piaster counterpart fund under joint US-GVN supervision. This agreement covers the installation of new equipment at Thu Duc designed to add 132,000 kilowatts to the present generating capacity of only 116,000 kilowatts. In addition, 18 miles of primary and 45 miles of secondary power lines will be rebuilt and 60 miles of new overhead and underground cables will be installed. To ensure adequate supervision, the GVN has contracted for a team of American utility management experts to assist in establishing the new facilities and to train Vietnamese personnel in the operation and management of the new company.

SECRET

No Foreign Dissem/Background Use Only

III. ECONOMIC SITUATION

Retail prices in Saigon rose two percent during the week ending 17 July and reportedly were up another three percent by 21 July. Free market currency and gold prices also rose. The effectiveness of the joint US-GVN economic committee has diminished as a result of recent inactivity. Some major changes were made in the Commercial Import Program in order to increase control over AID-financed imports.

Prices

1. Retail prices in Saigon rose two percent during the week ending 17 July and reportedly were up another three percent by 21 July. The USAID index for the week of 17 July was only slightly below the all-time high reached in mid-March during the rice crisis and apparently reached a new high on 21 July. The increase for the week of 17 July was caused entirely by higher food prices, especially for fish, shrimp, and chicken. These prices reportedly rose because of a slowdown in deliveries. The further rise in the index for 21 July was led by increases of seven to 11 percent in pork prices caused by low deliveries of hogs because of Viet Cong mining of Route 4 connecting Saigon with the provinces to the southwest.

2. On 17 July rice prices were mixed compared with the previous week as the price of high-quality rice went up, the price of low-quality rice declined, and the price of the medium-quality rice used in the USAID index was unchanged. The embassy attributed the decline for low-quality rice to the marketing of US medium grain remilled rice in large quantities at a slightly lower price. Nonfood prices declined slightly as prices of charcoal and firewood went down while all others were unchanged. (A table of weekly retail prices in Saigon is included in the Annex.)

III-1

No Foreign Dissem/Background Use Only

SECRET

SECRET

No Foreign Dissem/Background Use Only

3. The index for US-financed imports rose about four percent during the week ending 18 July as prices of almost all items increased. Import licensing was low during the first half of this year, and businessmen reportedly have begun to increase stocks in order to hedge against future price increases. They apparently anticipate declining arrivals of imports through early 1968. Businessmen may also have been influenced by rumors of new USAID importing procedures. (See paragraphs 6-8.)

Currency and Gold

4. Free market currency and gold prices rose during the week ending 17 July. The price of dollars rose one piaster to 155 piasters per dollar. The rate for MPC (scrip) increased three piasters to 113 piasters per dollar, still five piasters below the official rate. The price of gold rose for the second consecutive week, reaching 199 piasters per dollar, or five piasters above the price on 10 July. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

Joint Economic Committee

5. Earlier hopes for significant achievements by the joint US-GVN economic committee have dimmed as a result of recent inactivity. The committee held its fourth meeting on 21 July, and only one topic, rice, stirred up discussion. According to US officials, the working subcommittees have become inactive and there is lack of direction and preparation at the joint committee level. No agenda was circulated before the 21 July meeting, and there has been little or no follow-up of previous discussions. US participants had approached Governor Hanh of the Bank of Vietnam, who chairs the committee, before the meeting to express their dissatisfaction and make some suggestions for improvement. They were thus encouraged at the meeting when Hanh proposed the establishment of a full-time joint secretariat to replace the present arrangement

III-2

No Foreign Dissem/Background Use Only

SECRET

~~SECRET~~

No Foreign Dissem/Background Use Only

whereby each side has a few persons working on committee matters part-time. He also proposed that experts be appointed to make studies for the sub-committees rather than have all members of the sub-committees study the same problem at the same time. US officials feel that the joint committee is an invaluable institution and intend to recommend additional ways to improve its work.

Changes in Commercial Import Program

6. During the week ending 22 July some major changes were made in the Commercial Import Program (CIP) in order to increase control over AID-financed imports. Almost all import licenses eligible for US financing that amount to \$5,000 or more are now subject to Office of Small Business (OSB) procedures requiring competitive bidding. Formerly, only licenses for more than \$10,000 were subjected to this procedure. All import licenses under \$5,000 will now be financed by the GVN with its own foreign exchange reserves.

7. The expanded use of competitive bidding from suppliers is designed to help prevent collusion between suppliers and importers. Exceptions to this requirement will be made in cases of emergency procurement or goods available only from one source. The elimination of US financing for transactions under \$5,000 will reduce the number of licenses which must be reviewed by the CIP division of USAID and thereby enable commodity analysts in the division to concentrate on a more manageable number of licenses. In FY 1967 USAID approved the issuance of almost 10,000 import licenses, of which more than 80 percent were for amounts \$10,000 and under and a sizable portion of these under \$5,000.

8. In another major policy change, AID terminated its financing of pharmaceuticals as of 15 July. In the future the GVN will assume the entire burden of this financing, to which the US contributed \$9,750,000 in FY 1967.

III-3

No Foreign Dissem/Background Use Only

~~SECRET~~

SECRET

No Foreign Dissem/Background Use Only

Provincial Prices

9. Although changes in methodology preclude comparison of the latest provincial prices with those reported earlier, as of 31 May prices in I and II Corps were 24 percent above those in Saigon, while prices in III and IV Corps were one and seven percent, respectively, below those in Saigon. In almost all provinces, as in Saigon, food prices have risen much faster than nonfood prices.

10. The embassy has considerably broadened the coverage of its reporting on price levels in the provinces and adopted a uniform methodology for all corps areas. The data for 31 May include reports from all but four of Vietnam's 44 provinces, whereas prior to this date they included reports from only a selected sample of provinces. The indexes for the four corps areas are now given as unweighted averages of the indexes of the reporting provinces within each Corps.

III-4

SECRET

TABLE

Weekly Retail Prices in Saigon a/

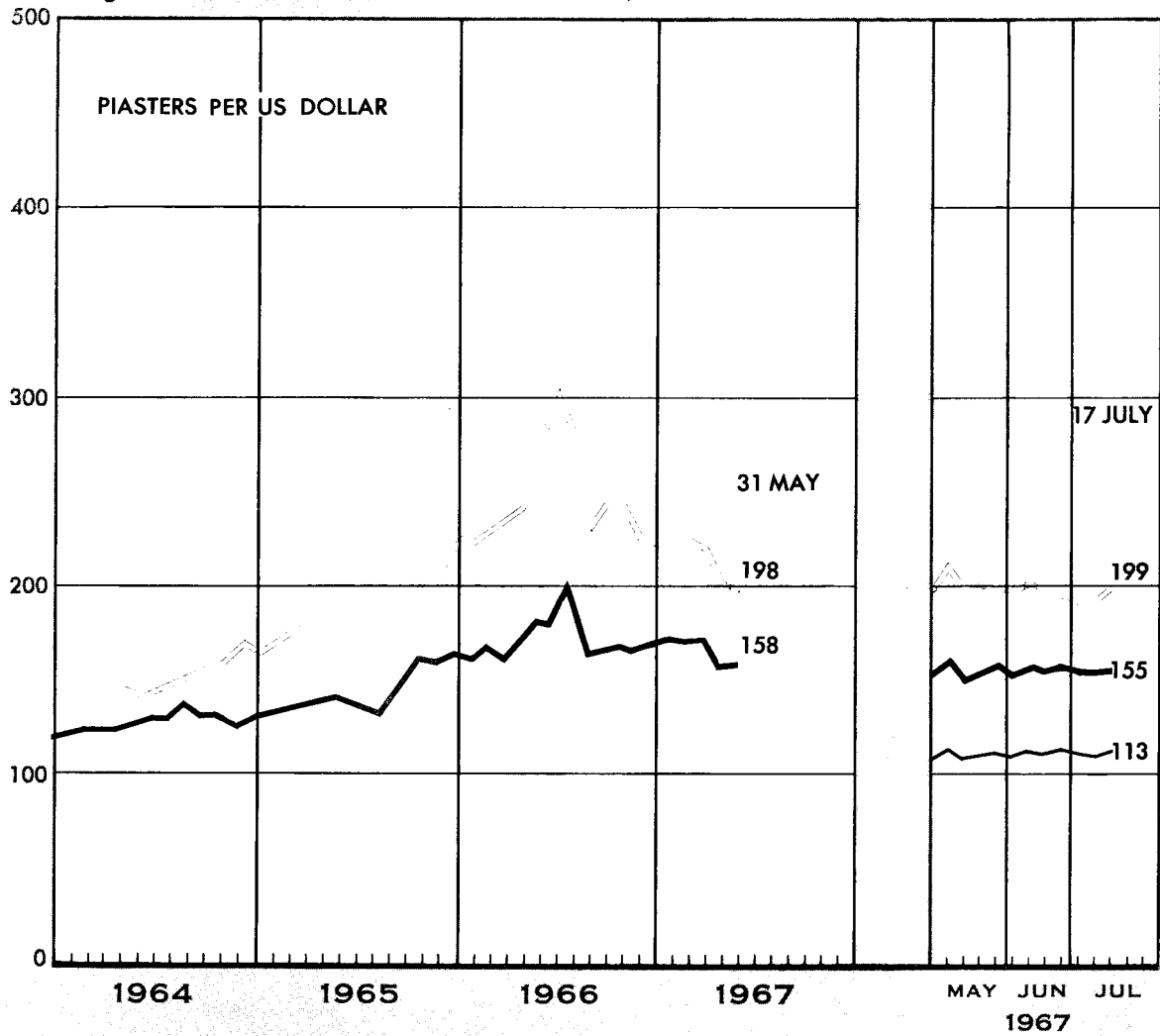
	13 June 1966 <u>b/</u>	3 Jan. 1967	26 June 1967	3 July 1967	10 July 1967	17 July 1967
Index for All Items	<u>173</u>	<u>225</u>	<u>267</u>	<u>280</u>	<u>278</u>	<u>282</u>
Index for Food Items	<u>190</u>	<u>242</u>	<u>293</u>	<u>314</u>	<u>312</u>	<u>318</u> <u>c/</u>
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.)	1,250	1,700	2,400	2,500	2,500	2,500 <u>c/</u>
Pork Bellies (1 kg.)	90	130	150	180	180	180
Fish-Ca Tre (1 kg.)	130	150	180	200	190	210
Nuoc Mam (jar)	70	90	150	150	150	150
Index for Nonfood Items	<u>140</u>	<u>195</u>	<u>217</u>	<u>218</u>	<u>215</u>	<u>213</u> <u>c/</u>
Of Which: (In Piasters)						
Firewood (cu. meter)	360	560	540	520	500	480
Cigarettes (pack)	10	14	14	14	14	14
White Calico (meter)	27	33	33	33	32	32
Kerosene (liter)	7.8	10.5	10	10	10	10

a. Data are from USAID sources. For all indexes 1 January 1965 = 100.

b. Price level just prior to the 18 June devaluation.

c. Preliminary.

Saigon Free Market Gold and Currency Prices



- GOLD: Basis gold leaf worth \$35 per troy ounce
- US \$10 GREEN
- US \$10 MPC Military Payment Certificates (scrip).