

(b)(1)  
(b)(3)

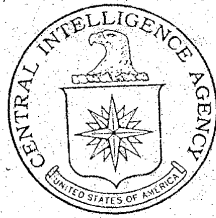
~~SECRET~~

COPY NO. 492

OCI NO. 5251/57

3 October 1957

# CURRENT INTELLIGENCE WEEKLY SUMMARY



APPROVED FOR RELEASE   
DATE: 06-29-2009

CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE

AGENCY ARCHIVES, BLDG. A-18

~~SECRET~~

NW 28307

RG 319

Box 9

Tab 6

<input checked="" type="checkbox"/> Army	<input type="checkbox"/> FEMA	<input type="checkbox"/> NSA	<input type="checkbox"/> FCC
<input checked="" type="checkbox"/> CIA	<input type="checkbox"/> FBI	<input type="checkbox"/> OSD	
<input type="checkbox"/> DEA	<input type="checkbox"/> HOUSE	<input type="checkbox"/> STATE	
<input type="checkbox"/> DIA	<input type="checkbox"/> NASA	<input type="checkbox"/> SENATE	
<input type="checkbox"/> DOE	<input type="checkbox"/> NAVY	<input type="checkbox"/> TREAS	
<input type="checkbox"/> DOJ	<input type="checkbox"/> NSC	<input type="checkbox"/> USAF	
<input type="checkbox"/> DSWA	<input type="checkbox"/> NRC	<input type="checkbox"/> USMC	

# NW 28307 - 614

3 October 1957

pressure to reach a settlement within that time.

Despite their public pose of conciliation, there has been no indication in the negotiating commission that the Pathets are prepared to make significant concessions to the government. In fact, Souphannouvong stated in an 11 September speech that restoration of government

control over the two disputed provinces must take place simultaneously with, rather than prior to, the establishment of a coalition government. The Pathets, however, may be expected to maintain a climate favorable for negotiations while attempting to build popular pressure for a settlement on Pathet terms.

## SOUTH VIETNAM

South Vietnam's President Diem and other top officials have vigorously sought in the past several months to increase their country's prestige. Diem is also attempting to quicken the pace of economic development in South Vietnam and to head off incipient political discontent.

Since his trip to the United States last May, Diem has paid successful state visits to Thailand, Australia, and South Korea. In early November, he is scheduled to visit India and confer with Prime Minister Nehru. While disdainful of India's "unrealistic" neutralism, Diem hopes to enlist Nehru's moral support for South Vietnam's status as a sovereign state and for its claim to represent true nationalism throughout Vietnam.

On the domestic front, Diem continues to feel that programs designed to promote stability in South Vietnam are moving too slowly. He has always held that Vietnam will not remain divided forever, and that if the South is to win out over the North, it must out-

strip the Communists in economic development.

To help achieve this goal, Diem is now placing major emphasis on the rapid economic development of the remote high plateau region in the northwest which borders on Cambodia, Laos, and North Vietnam. He hopes to resettle in this strategic but underpopulated region some 100,000 anti-Communist farmers and military veterans who would constitute a "human wall" against Communist infiltration and subversion. The President regards this project, which began last spring, as so important that he has repeatedly stated that the very existence of South Vietnam's government depends on its successful implementation.

There are indications the South Vietnamese government may also be increasingly troubled by what appears to be a developing undercurrent of resentment over its tight political controls. The local Chinese are undoubtedly still smarting under the various decrees forcing them to adopt Vietnamese citizenship or suffer severe restrictions on their means of livelihood. Vietnamese

~~SECRET~~

PART II

NOTES AND COMMENTS

Page 13 of 16

PART III

PATTERNS AND PERSPECTIVES

Page 1 of 13

NW 28307

RG 319

Box 9

Tab 6

Army FEMA NSA FCC  
 CIA FBI OSD  
 DEA HOUSE STATE  
 DIA NASA SENATE  
 DOE NAVY TREAS  
 DOJ NSC USAF  
 DSWA NRC USMC

NW 28307 - 615

3 October 1957

discontent has also been indicated by newspaper articles written with an antigovernment slant. This sentiment may have been hardened by the recent

destruction of the printing plants of two papers publishing such articles by mobs which, if not organized by the government, operated without interference from the police.

JAPANESE PROPOSALS IN TRADE DISCUSSIONS WITH PEIPING

Japanese negotiators at trade discussions under way in Peiping have proposed an exchange of permanent trade missions between Japan and Communist China and have outlined entry and operating privileges for these missions.

within Japan, and exemption from customs duties and taxes. To emphasize the "nonofficial" status of the missions, national flags would not be displayed outside mission offices.

Peiping has made no specific response to the Japanese proposals, made public as early as 2 September, and renewed Chinese propaganda attacks on the Kishi government for its pro-American and allegedly anti-Peiping policies suggest that Peiping does not intend to conclude an agreement without further concessions.

Tokyo's figure of a \$90,000,000 trade volume each way is essentially an exploratory move. Japan has not achieved lower export goals set in previous agreements, largely because of Peiping's refusal to deliver iron ore and significant quantities of coal unless exchanged for Japanese products which have been, or remain, embargoed for shipment to Communist China. Moreover, Japanese exports to the China mainland, which totaled \$67,000,000 in 1956, declined slightly during early 1957, and, ironically, dropped sharply after Tokyo abolished the CHINCOM differential. Peiping has announced that because of increased domestic requirements, its foreign trade in 1957 would fall below the level of last year.

The Japanese delegation ostensibly represents private trade organizations which have concluded three previous trade agreements with Peiping. In fact, however, it is acting with the semiofficial backing of Prime Minister Kishi's government.

The initial Japanese proposals call for an exchange of trade missions of no more than ten members each. Five of the Chinese members would be exempted from the fingerprinting ordinarily required of nonofficial aliens under Japanese law.

(Concurred in by ORK)

~~SECRET~~

PART II NOTES AND COMMENTS Page 14 of 16

PART III PATTERNS AND PERSPECTIVES Page 1 of 13

NW 28307

RG 319

Box 9

Tab 6

- Army
- CLM
- DEA
- DIA
- DOE
- DOJ
- DSWA
- FEMA
- FBI
- HOUSE
- NASA
- NAVY
- NSC
- NRC
- NSA
- OSD
- STATE
- SENATE
- TREAS
- USAF
- USMC

NW 28307 - 616

~~SECRET~~

COPY NO. 697  
OCI NO. 1795/58  
26 June 1958

# CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE

ARCHIVAL RECORD  
PLEASE RETURN TO  
AGENCY ARCHIVES, BLDG. A-18

~~SECRET~~



NW 28307

RG 319

Box 9

Tab 6

<input checked="" type="checkbox"/> Army	FEMA	NSA	FCC
<input checked="" type="checkbox"/> CIA	FBI	OSD	
<input type="checkbox"/> DEA	HOUSE	STATE	
<input type="checkbox"/> DIA	NASA	SENATE	
<input type="checkbox"/> DOE	NAVY	TREAS	
<input type="checkbox"/> DOJ	NSC	USAF	
<input type="checkbox"/> DSWA	NRC	USMC	

# NW 28307 - 617

CURRENT INTELLIGENCE WEEKLY SUMMARY

26 June 1958

DEVELOPMENTS IN SOUTH VIETNAM

South Vietnam, nearing its fourth anniversary as an independent state, has made remarkable strides since the July 1954 armistice, when it was threatened by an early take-over by Hanoi. Today's surface tranquility, however, belies South Vietnam's continuing struggle for long-range survival and for eventual unification of Vietnam under non-Communist rule. The acceleration of Communist terrorism in South Vietnam during the past year, together with a more aggressive and imaginative propaganda offensive on the part of Hanoi, attests to the intensity of this struggle.

Internal Security

Saigon had achieved a high degree of nationwide stability by early 1957, but the security situation in the rural areas of the delta region and in the western provinces bordering on Cambodia has deteriorated. In addition, there was an anti-American terrorist incident in Saigon last October, when Communist bombs wounded 13 American MAAG personnel. Despite tightened security measures, there is a real threat of further violence against Americans in view of the Communist objective of impairing American support of the Diem regime.

The resurgence of Communist terrorism has been marked by the assassination of provincial officials and central government representatives at the village level. This coincides with intensified efforts by the Communist underground to gain the support of entire villages-- either by persuasion or by threats. There are indications that these efforts are meeting with some success in the more isolated areas. The renewed security threat has reinforced the Diem government's determination to place primary emphasis on strengthening its military

and paramilitary forces at the expense of basic economic and sociological progress. This low priority for economic matters constitutes the real danger to stability over the long run.

A major breakthrough in Saigon's efforts to improve rural security occurred in May with the rallying to the government of some 1,200 dissidents of the Hoa Hao sect, the last significant force of indigenous rebel groups whose combined private armies once threatened the Saigon regime. The remaining few hundred native dissidents are widely scattered and are considered under Communist control. Actual Communist underground military strength is believed to be 2,100, with a larger number of political agents and sympathizers. Since 1954, the Communists have sought to perpetuate local armed revolt against the Diem government to further their own terrorist activities, which run counter to Hanoi's public espousal of the Geneva armistice.

Relations With Neighbors

The surrender of the Hoa Hao force should also help to improve the chronically poor relations between South Vietnam and Cambodia, as this dissident band formerly had operated on both sides of the frontier. In instances where Vietnamese troops have crossed the border in pursuit of dissident elements seeking refuge in Cambodian territory, armed clashes with Cambodian forces often resulted. South Vietnamese - Cambodian hostility stems from traditional animosity between the two races and from the divergent political policies of the present-day regimes. The recurrent border incidents have frustrated sporadic efforts to achieve a modus vivendi.

Saigon, concerned over growing Communist influence in

NW 28307

RG 319

Box 9

Tab 6

- Army
- FEMA
- NSA
- FCC
- CIA
- FBI
- OSD
- DEA
- HOUSE
- STATE
- DIA
- NASA
- SENATE
- DOE
- NAVY
- TREAS
- DOJ
- NSC
- USAF
- DSWA
- NRC
- USMC

NW 28307 - 618

CURRENT INTELLIGENCE WEEKLY SUMMARY

26 June 1958

Cambodia, has vacillated between conciliation and toughness in attempting to influence the Phnom Penh regime. The hard approach has been particularly unavailing and risks driving Cambodia closer to North Vietnam and Communist China.

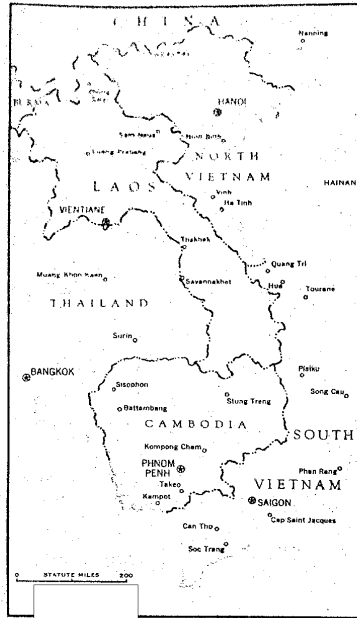
The Diem government is also alarmed at the recent Communist electoral gains in Laos. It fears a leftist-oriented regime will eventually emerge in Vientiane which will facilitate Communist infiltration across Vietnam's remote and hard-to-defend frontier. The contemplation of being isolated as the only militantly anti-Communist state on the Indochina peninsula is disturbing to Saigon. South Vietnam is taking direct action through its diplomatic mission in Vientiane to support the merger of Laotian conservative forces against the Communist political threat. In addition, the two governments recently exchanged preliminary ideas for closer trade relations and improved communications.

Military Strength

South Vietnam's military capability to face the threat of external Communist aggression continues to show steady improvement under MAAG training. The army of some 137,000 men is considered firmly loyal to President Diem and continues to be the government's main pillar of support. Together with less developed air and naval forces numbering about 4,000 and 5,000 men, respectively, South Vietnam's army is capable of initial limited resistance in the event of overt aggression from North Vietnam. Steps are also being taken to streamline and increase the effectiveness of two major paramilitary forces--the Civil Guard and Self-Defense Corps, each with about 50,000 men.

Economic Weaknesses

In contrast to its military strength, South Vietnam's econ-



omy continues to be precarious. Agriculture, the nation's economic mainstay, is recovering slowly from wartime ravages. A limited start has been made in industrial development, but prerequisite foreign capital remains wary of the Diem government's suspicious attitude toward private investment. The government's predilection toward strict controls and its ultra-conservative financial policies have aggravated deflationary tendencies in the economy. Commercial activity is generally slow at present, and growing unemployment is a problem. In response to heavy pressure from business and labor circles, however, the government recently has taken a few cautious steps toward easing the situation.

American aid still accounts for about 85 percent of Vietnam's imports and more than two thirds of its budgetary revenues. In 1957, however, a sizable budget surplus was realized by stringent

NW 28307

RG 319

Box 9

Tab 6

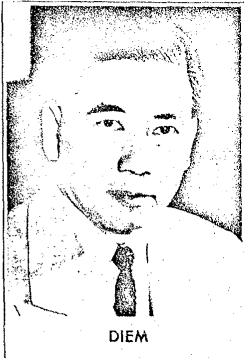
- Army
- NSA FCC
- FEMA
- OSD
- FBI
- STATE
- HOUSE
- SENATE
- NASA
- NAVY
- TREAS
- DOE
- USAF
- DOJ
- NSC
- USMC
- DSWA
- NRC

NW 28307 - 619

CURRENT INTELLIGENCE WEEKLY SUMMARY

26 June 1958

budgetary controls and imposition of new taxes. Vietnamese exports last year, moreover, earned nearly \$60,000,000 in foreign exchange, compared with only \$34,000,000 in 1956. Greater economic progress has been hampered by the Vietnamese



leaders' lack of experience in this field as well as by their primary interest in political and military matters.

Diem's Leadership

In one sense, the principal factor in South Vietnam's early stability--the strong leadership of President Diem--today has become somewhat of an unsettling influence. Diem's continued unwillingness to delegate authority and his reluctance to grant greater individual freedoms at this time are hamstringing government operations and contributing to popu-

lar discontent. Senior Vietnamese officials, including Vice President Nguyen Ngoc Tho and several cabinet members, have expressed serious alarm in recent months over the government's apparent loss of popularity. These officials believe Diem's narrow approach to political affairs is seriously weakening the regime.

Criticism of Diem's authoritarian ways is not new, but has become more insistent now that relative political stability, which would permit more representative government, has been achieved. Diem is undoubtedly aware of this criticism but has given no indication of being dissuaded from his belief that more liberal government, however desirable, cannot be afforded during the present "national emergency." He speaks frequently, however, of having only "two or three years" in which to hammer out a strong political and economic base for the nation before internal pressures threaten to force a modification of the present driving pace. Diem has been shrewd and far-sighted in his leadership; his decisions on several major issues in the past have proven correct.

South Vietnam has made considerable progress since 1954 against great odds, and today is a going concern. There is a good economic potential for continued development toward greater stability and economic viability.

\* \* \*

PART III

DISTRICTS AND DEPARTMENTS

NW 28307

RG 319

Box 9

Tab 6

- ~~Army~~ FEMA NSA FCC
- ~~CLA~~ FBI OSD
- DEA HOUSE STATE
- DIA NASA SENATE
- DOE NAVY TREAS
- DOJ NSC USAF
- DSWA NRC USMC

NW 28307 - 620