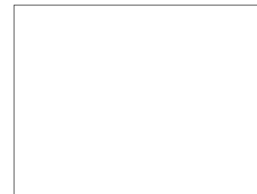


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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Situation in South Vietnam *(Weekly)*

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6 November 1967
No. 0375/67

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(30 October - 5 November 1967)

C O N T E N T S

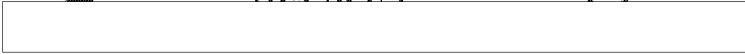
| | <u>Section</u> |
|---|----------------|
| POLITICAL SITUATION | I |
| <div style="border: 1px solid black; height: 40px; width: 100%;"></div> | |
| REVOLUTIONARY DEVELOPMENT | II |
| Communist counteractions to Revolutionary Development; Anti-RD activity; Internal countermeasures; Communist proselyting. | |
| ECONOMIC SITUATION | III |
| Prices; Currency and gold; Rice situation; Decentralization of tax authority; Corn imports. | |
| ANNEX: Weekly Retail Prices in Saigon (table) Saigon Free Market Gold and Currency Prices (graph) | |

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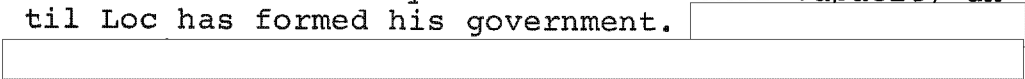
I. POLITICAL SITUATION



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New Government's Status

1. Shortly after his inauguration on 31 October, President Thieu announced the appointment of Nguyen Van Loc as prime minister, and at resignation ceremonies for the Ky cabinet and the Directorate, he requested that the cabinet stay on in a caretaker capacity until Loc has formed his government.



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the cabinet would be selected by 29 October, but no appointments have as yet been announced.



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5. In the first step of the government's anti-corruption drive, the Saigon Special Court on 28 October sentenced former Binh Dinh Province chief Lt. Colonel Tran Dinh Vong to death on charges of corruption and embezzlement. Vong's execution was to have occurred within 24 hours of his sentencing but it has been stayed pending review of his appeal on 29 October to Thieu for clemency.

6. Also sentenced were a South Vietnamese Army engineer officer, a sergeant, and a former Binh Dinh district chief, who received life imprisonment, and a second district chief, who received a four-year prison term. In addition, seven hamlet and village officials from Binh Dinh received sentences ranging from one to three years, and three were acquitted. Charges against all 14 officials centered on the embezzlement of public funds intended for construction of the Phu Cat Airfield in Binh Dinh.

Buddhist Activities

7. Buddhist activities during the were highlighted by the self-immolations of a monk in Quang Ngai city on 31 October and a nun in Nha Trang the following day. Both left letters condemning the government's recognition of the moderate Buddhist charter and calling moderate leader Thich Tam Chau a "traitor to Buddhism." The nun's suicide was followed shortly by an announcement to the press that militant Buddhist patriarch Thich Tinh Khiet had vowed to sacrifice himself unless the government revokes the moderates' charter. One of the militant leaders, Thich Thien Hoa, reportedly told newsmen that both Khiet and another of the older monks, Thich Hai Trang, are ready to take the "extreme step" unless some government action is forthcoming. It remains to be seen whether the two monks will actually carry through with their threats.

8. Police in Hue are convinced that the Viet Cong are involved in local "struggle" activities.

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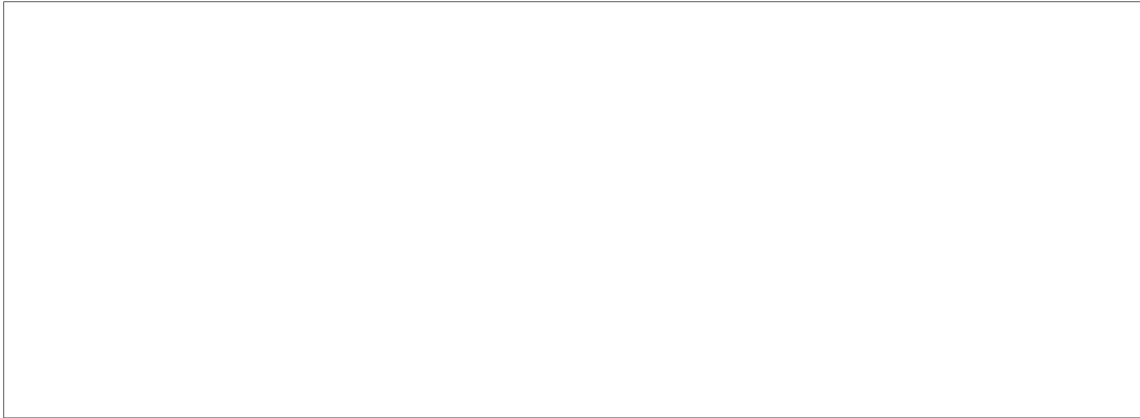
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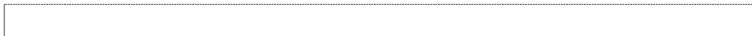


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9. There is additional speculation that followers of the militant and the moderate Buddhist factions are heading for a break from their respective leaders, Thich Tri Quang and Thich Tam Chau. Lower house deputy Ho Huu Tuong, who is also vice-rector of the Buddhists' Van Hanh University, told an embassy officer on 2 November that a personal reconciliation between the two leaders is unlikely because of their intransigent stands on the charter issue.



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Lower House Deputy Convicted

12. A provincial court has annulled the election of a lower house deputy, but it is not yet clear whether he will finally be barred from taking his seat in the house. According to a Saigon Post account, the Special Court of Kien Giang Province disqualified Ta Ngoc Mai, sentenced him to three months' imprisonment, and imposed a fine of 20,000 piasters for violation of the election law. Mai, along with four campaign workers who were also convicted, was charged with using "armed pressure" on voters. Almost 40 persons, including the provincial judge, reportedly witnessed the intimidation attempts.

13. The Post item did not mention under which article of the election law Mai was convicted. In view of the sentence and fine imposed, it appears his conviction was for carrying a weapon into a polling place. If so, he will be allowed to defend himself before the lower house, which will have the final say on whether he is to be seated. Other election law articles, under which Mai may have been convicted, carry heavier sentences than that meted out to him and would require a new election within three months.

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II. REVOLUTIONARY DEVELOPMENT

The enemy forces in South Vietnam have stepped up their military campaign against the government's Revolutionary Development programs. While the reaction has been against all RD programs, the RD teams, and in recent months the Chieu Hoi centers, have increasingly become targets of the enemy's forays. The Communist apparatus has apparently undertaken several internal countermeasures designed to consolidate their organization, release more people for combat or combat support missions, and enable the infrastructure to strengthen its position in the rural areas. Communist proselyting continues to utilize traditional techniques of propaganda, persuasion, and, when necessary, selective terrorism. The Communists in South Vietnam have shown a remarkable organizational resilience and flexibility and, within certain limits, appear to demonstrate a high degree of adaptivity to differing local situations.

Communist Counteractions to Revolutionary Development:Anti-RD Activity

1. Since late 1966 an increasing number of reports, [redacted]

[redacted] have indicated deep Communist concern over the possibility of government success with the Revolutionary Development (RD) programs. In addition to concern over the grass roots activities of the RD teams themselves--which represents the first apparently effective challenge to the enemy apparatus at the hamlet level--these reports and documents also reflect the Communists' growing uneasiness over such related programs as the Static Census Grievance Cadres (SCGS), the refugee program, and the Chieu Hoi ("Open Arms") campaign.

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2. During 1967 Viet Cong and North Vietnamese Army (VC/NVA) troops in South Vietnam have stepped up their activities directed at countering the RD program, using their military forces to strike at the RD teams and supporting troops--especially the Regional and Popular Forces. They have also conducted forays against Chieu Hoi centers and resettlement hamlets in the hope of causing the abandonment of them. When they have failed to dislodge the people from these centers, the Communists have attempted to reactivate or establish covert cells in them. Communist forces have tried to infiltrate covert supporters into the RD cadre ranks or into the village/hamlet administration organization. They have also heavily employed terrorism against the National Police, Hoi Chanh (ralliers), and village/hamlet officials. The enemy seems aware that there is a definite relationship between successful RD programs, in particular the cadres and Open Arms aspects, and an increased flow of information about his activities.

3. The threat posed to the local Viet Cong political apparatus by the government's nation-building efforts has forced the Communists to devote more of their energies to combatting these programs. Success in anti-RD operations has also assumed greater psychological importance for the enemy as he has become somewhat less able, except perhaps in I Corps, to conduct successful large-scale military operations. Successful counter-RD actions enable the enemy to retain his prestige with the rural population and to inflict continued attrition on the weakest link in the GVN organization--low-level leadership.

4. During 1966 there were about 25 significant enemy attacks against the RD teams or People's Action Teams, and a total of 593 cadre members were killed by Viet Cong actions. The majority of the incidents took place in areas where inadequate security was a major factor. Usually, teams were exposed to enemy activity by being placed in hamlets where the securing forces were understrength, inadequate, or simply non-existent. Provincial officials were by and large

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poorly informed as to the correct use of the teams and often tended to use them as static security units.

5. In 1967 there has been a marked increase in incidents directed against the RD programs. In the first nine months of 1967, there were about 900 incidents directed against the RD teams alone, and approximately 487 cadres have been killed thus far. In all but three months this year, I Corps has had the largest number of anti-RD incidents.

6. The principal enemy military effort against the RD program appears to be by Viet Cong local force units. Hamlet and village guerrillas in contested areas support anti-RD operations and often work in conjunction with the local forces. Prior to April 1967, there were few reports of the use of enemy main force troops against RD teams, but main force employment in this mission has reportedly sharply increased since then, especially in the coastal areas of I, II, and southeastern III Corps. In keeping with the enemy's previous tactics in other fields, specific anti-RD agencies are apparently being established. Such an agency has been reported in the III Corps province of Long Khanh, while "special action" companies and/or sapper units appear to have been assigned a specific counter-RD mission in other areas.

7. As one means of encouraging their forces to step up anti-RD activity, the Communists have established new honorific titles such as "Determined to Win Fighters" which carries status equivalent to the title "Elite Fighters Against US Aggressor." This award is made to Viet Cong units or individuals who play significant roles in actions against RD teams.

8. The enemy strategy appears to be to force the Free World military forces to deploy against the main force units in sparsely populated areas such as the Demilitarized Zone, the western highlands, and northern III Corps, and to prevent adequate protection of the RD programs in the lowlands

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and delta areas. This strategy, with some variations, was used against the French from 1946 to 1954.

Internal Countermeasures

9. In order to insure the continuation and development of their movement, the Communists have apparently made several shifts in their apparatus to counter the allied troop build up and the RD programs. They appear to be putting increased emphasis on guerrilla warfare and military/civilian proselyting activities in order to consolidate their hold on the countryside. Furthermore, reported administrative and/or territorial changes affect a large part of the Viet Cong provincial structure. Some of these changes are evidently designed to streamline and reduce the Communists' administrative overhead and release more men for military service. Other reports refer to a movement of cadres from higher to lower echelons in an apparent effort to strengthen Communists' organizations and revitalize their leadership at the lowest levels.

10. Over the past year, there have also been some indications that a number of district and village cadres have been demoralized by allied military pressures, by the prospects of fighting what they believe will be a protracted war, and by the government's "Open Arms" program. Agents have also alleged that North Vietnamese cadre members specializing in antipacification activities were being infiltrated to replace the "demoralized" cadres and those lost to normal attrition. "Purges" of cadre have reportedly occurred in many provinces. These alleged difficulties in replacing personnel and in obtaining qualified cadre may be borne out by what appears, in some areas, to be an increased Communist reliance on the recruitment of women and youths for village guerrilla units and village/hamlet organizations.

11. The amount or degree of support the Communists have in an RD area, combined with their estimate of what resources the GVN will put into the

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area, usually determines whether or not the Communists will withdraw their overt apparatus in the hamlets and villages. Secret party and Liberation Front members are reportedly being designated in rural areas to serve as stay-behind forces should the government establish itself.

12. In some areas, partly to counter RD programs and to retain the sympathies of the peasants and landowners, the Communists have reportedly had to reform--or occasionally reduce--some of their taxes. The initiative in land reform has by and large always been with the Communists and there have been a few reports of their accelerating this program. Moreover, some reports have been received of Communist village/hamlet elections, in an attempt to discredit or blunt government election efforts.

Communist Proselyting

13. The Communists have shown a remarkable organizational resilience and flexibility and, within certain limits, appear to be highly adaptable to differing local situations. There has been and still remains a lack of detailed information on Communist political action/armed propaganda units. These units apparently change their modus operandi to conform to local situations; however, captured documents and interrogation reports have yielded some information on these cadres and units.

14. Agit/Prop Teams (AP)--also referred to as task teams, assault propaganda teams, political action units, and armed propaganda units--may be the Communists' closest organization to the GVN's RD teams. The APs are probably targeted against contested or GVN-controlled villages and hamlets. Generally, they enter a hamlet--usually at night--assemble the residents, and spread leaflets and banners, collect information, and conduct propaganda and civilian/military proselyting activities.

15. In their proselyting, the AP teams attempt to recruit villagers for military units, urge those

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with relatives working for the government to persuade their relatives to desert or act as agents in place, and occasionally extract money or goods from the villagers. Where security conditions permit, the AP teams are often accompanied by cultural or entertainment groups, whose shows are geared to discrediting the government and extolling the Viet Cong.

16. The AP units apparently seldom engage in terrorism, this probably being left to district committees using local guerrillas or "special cell" members. The professional entertainment, propaganda, and/or proselyting cadres who may be part of these agit/prop units rely almost exclusively on propaganda and persuasion. The presence of their weapons, although for defensive purposes, can still serve to coerce or intimidate local people into cooperating. Depending on their particular modus operandi and the degree of security in the area, the AP unit may have dispatched members ahead of them to prepare the people for their arrival and/or collect information about the local area. The units may revisit the hamlet or village frequently, and may leave elements of their unit behind to establish Liberation Front associations and/or a party infrastructure.

17. The Communists usually make a distinction between full-time AP units and those organized on an ad hoc basis to carry out a propaganda mission against a specific target. Analysis of available information indicates that the majority of propaganda activities probably conducted by the Viet Cong in government areas and possibly conducted in heavily contested areas are carried out by the latter units. While propaganda disseminated in this manner may lack a certain degree of professionalism--but not necessarily effectiveness--it gives the Viet Cong an instant response to a local incident, something the government often lacks. The control cadre for an ad hoc team may be drawn from district or province propaganda-indoctrination sections or perhaps front sections, and other members of the team can be from sections of the party committee of the village in which the ad hoc team is to operate. These teams are oftentimes protected by an element of the village guerrilla unit. Where government security is

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effective, the Viet Cong will resort merely to disseminating propaganda leaflets to night or using terrorism.

18. Full-time agit/prop units appear to be concentrated in--but not limited to--the northern half of South Vietnam.

19. There are some indications that full-time units in heavily contested areas--such as Binh Duong Province--are required to support the military forces in combat operations, but the nature or degree of their involvement is uncertain. Provincial battalions in Quang Nam are reported to have an Armed Propaganda Team under the battalion's direction with a Psychological Warfare/Entertainment Team directly under the Provincial Committee.

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III. ECONOMIC SITUATION

The Saigon retail price index continued steady on 23 October for the third consecutive week at a level 29 percent higher than on 3 January. Free market currency and gold prices were mixed. US officials estimate Vietnam will have to import 900,000 metric tons of rice in 1968, compared with projected arrivals of about 760,000 tons this year. A critical shortage of rice may develop in I and II Corps unless ships can be found to transport stocks from Saigon. The GVN has transferred all land and property tax authority to local governing bodies. The US will finance increased imports of corn for animal feed in order to encourage livestock production.

Prices

1. Retail prices in Saigon remained steady during the three weeks ending 23 October at a level 29 percent higher than at the beginning of the year. Food prices were generally stable on 23 October as rice prices were unchanged and increases in the prices of beefsteak, chicken, and shrimp were offset by lower prices for lean pork and many vegetables. Non-food prices were unchanged except for an increase in the price of laundry soap. The price of soap has risen 13 percent since 25 September, reportedly because of a serious shortage of coconut oil. (A table of weekly retail prices in Saigon is included in the Annex.)

2. Prices of US-financed imports also continued steady during the week ending 24 October as they have since mid-September. Slight increases were registered for condensed milk, wheat flour, chemicals, and iron and steel products, but these were balanced by declines in the prices of cement and rayon yarn. The price of wheat flour has risen steadily since the end of September because of declining stocks and low arrivals.

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Currency and Gold

3. Free market currency rates in Saigon declined on 23 October, while the price of gold leaf was unchanged. The price of a US ten dollar bill declined one piaster to 151 piasters per dollar, and the price of MPC (scrip) fell three piasters to 113 piasters per dollar. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

Rice Situation

4. US officials currently estimate that Vietnam will require about 900,000 metric tons of imported rice in 1968, compared with projected arrivals this year of about 760,000 tons and actual imports of 434,194 tons in 1966. The requirement for 1968 assumes that consumption in Saigon and 26 rice deficit provinces will continue to rise, reaching a total of 1,050,000 tons, of which an estimated 250,000 tons will be provided by deliveries of domestic rice from the delta. Although deliveries from the delta to Saigon are expected to be slightly higher in 1968 than in 1967, there apparently are no firm estimates of total rice production for the crop year 1967/68. Rice production has declined for three years, and, according to the Embassy, prospects for the 1967-68 crop seem mixed. Certain delta provinces probably will have larger crops because of better weather and the incentive provided by higher rice prices in 1967. However, the shortage of manpower will continue to cut into both the area cultivated and the quality of cultivation. A recent study in the delta by US technicians reportedly states that because of the war and the draft, the lack of security, and heavy migration to urban areas, old men and women and children are often the only available farm labor. Some provinces report that lack of experienced rice transplanters is resulting in lower yields. Moreover, in I Corps, continued intensive military operations probably will further reduce production and increase import needs there.

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5. Rice import requirements for 1967 were originally estimated to be about 850,000 tons, but arrivals will fall well below this level due to procurement and shipping delays. Through September about 660,000 tons arrived in Vietnam and a maximum additional 100,000 tons may arrive from the US and Thailand before the end of the year. As a result of past and possible future delays in the arrival of imports, the projections for year-end stock levels in Saigon and the rice deficit provinces have steadily declined.

6. A critical shortage of rice in I and II Corps threatens to develop because the GVN Minister of Transport, apparently as a result of pressure from the Vietnam Shipowners Associations, has prohibited the use of foreign flag vessels for coastal shipping. These vessels were mainly chartered by USAID to move government rice from Saigon to central Vietnam. US officials have been able to persuade the Minister of Commerce to circumvent the ban by hiring a foreign flag ocean-going vessel on 10 October to transport 10,000 tons of rice to Da Nang. The Embassy expects the GVN to withdraw its interdiction, which also affects the movement of other US aid goods to central Vietnam, and then hopes to negotiate a new charter agreement which will preclude such restrictions in the future. Unless more rice can be shipped from Saigon, however, in addition to imports scheduled to arrive directly at up-country ports, stocks in I and II Corps may dwindle to 2,000 tons by the end of December. Estimated consumption for these provinces is roughly 40,000 tons per month.

Decentralization of Tax Authority

7. Just prior to the Thieu-Ky inauguration the government issued a decree transferring all land and property tax authority to local units of government effective 1 January 1968. The GVN Minister of Finance will set broad minimum and maximum tax rates for different categories of property, but within these guidelines each local

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governing body down to the village level will have the power to levy and collect its own taxes. None of the revenue will go to the national government. Under the present system, administered by the Central Tax Directorate, there have been two sets of land and property taxes--a nationwide base tax and a surcharge imposed by the local governments. Collections from the former went into the national budget, while revenues from the surcharges went to the local governments. The base tax rate has been relatively low and provided less than one percent of the GVN's total domestic tax revenues in 1966. The local surcharges have varied considerably by area, ranging from 100 percent and 50 percent of the base tax for provinces and villages, respectively, in central Vietnam to 20 percent and 10 percent in southern Vietnam. Although the national government may not be losing much in revenues, US officials believe that in giving over some measure of tax authority it will greatly strengthen the local levels of government.

Corn Imports

8. Arrangements were completed in October to increase Vietnam's imports of corn for animal feed, to broaden the market, and to begin importing corn on a commercial basis. In the future corn will be imported by the GVN Agricultural Development Bank and sold without restriction as to distributor or end-user at a price close to that on the open market. Since 1963 Vietnam's imports of corn, provided under US grants, have amounted to approximately 117,000 metric tons and were sold at artificially low prices mainly to small marginal farmers and certain large commercial farms in the Saigon area. The new agreement calls for 60,000 tons to be imported through the end of 1968 under an arrangement similar to that for rice; the GVN pays for the imports with piasters, and a certain percentage of these so-called counterpart funds are reserved for US uses in Vietnam.

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9. The long-range purpose of enlarging the import program is to expand livestock production through the greater use of corn for animal feed. In 1966 Vietnam produced 35,000 tons of corn, but almost none of it was used for animal feed. The main livestock feed is rice bran, of which supplies are insufficient and high-priced. The price set for the new shipments is intended to minimize the cost to pork and poultry producers while encouraging domestic feed grain production. If firm markets for corn can be established and farmers begin using corn as a regular part of the feed diet, officials hope that production of both livestock and corn will increase.

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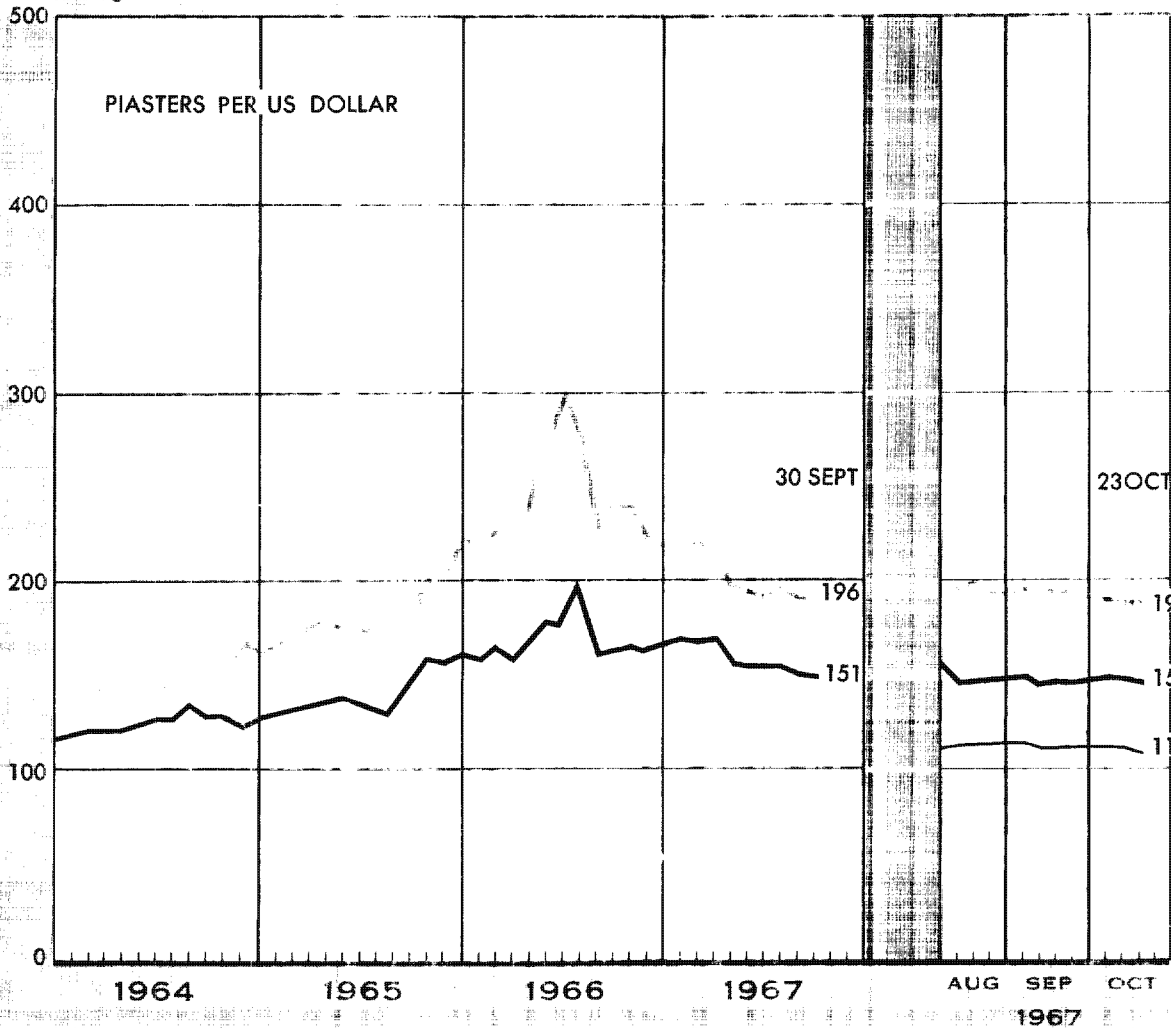
TABLE
Weekly Retail Prices in Saigon^{a/}

| | 13 June 1966 ^{b/} | 3 Jan. 1967 | 2 Oct. 1967 | 9 Oct. 1967 | 16 Oct. 1967 | 23 Oct. 1967 |
|----------------------------|-------------------------------|----------------|----------------|----------------|-----------------|-----------------|
| Index for all Items | <u>173</u> | <u>225</u> | <u>295</u> | <u>290</u> | <u>291</u> | <u>290</u> |
| Index for Food Items | <u>190</u> | <u>242</u> | <u>334</u> | <u>326</u> | <u>326</u> | <u>324</u> |
| Of Which: (In Piasters) | | | | | | |
| Rice-Soc Nau (100 kg.) | 1,250 | 1,700 | 2,400 | 2,400 | 2,300 | 2,300 |
| Pork Bellies (1 kg.) | 90 | 130 | 200 | 180 | 200 | 200 |
| Fish-Ca Tre (1 kg.) | 130 | 150 | 230 | 220 | 220 | 220 |
| Nuoc Mam (jar) | 70 | 90 | 150 | 150 | 150 | 150 |
| Index for Nonfood Items | <u>140</u> | <u>195</u> | <u>222</u> | <u>225</u> | <u>227</u> | <u>228</u> |
| Of Which: (In Piasters) | | | | | | |
| Firewood (cu. meter) | 360 | 560 | 500 | 500 | 500 | 500 |
| Cigarettes (pack) | 10 | 14 | 14 | 14 | 14 | 14 |
| White Calico (meter) | 27 | 33 | 42 | 45 | 45 | 45 |
| Kerosene (liter) | 7.8 | 10.5 | 9 | 9 | 9 | 9 |

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

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

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).

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