

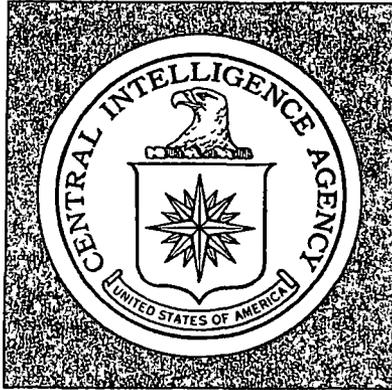
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DIRECTORATE OF  
INTELLIGENCE

# Intelligence Report

## *The Situation in South Vietnam* (Weekly)

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM  
(19 February - 25 February 1968)

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I. POLITICAL SITUATION

Vice President Ky and General Nguyen Duc Thang resigned on 20 February as chairman and chief of staff, respectively, of the national recovery task force. A large number of prominent individuals of widely divergent political views met on 18 February to begin work on establishing an anti-Communist front. Although some encouraging signs have emerged from the meeting, hopes for the cohesiveness of the new front are rather dim. The government has taken into protective custody several prominent oppositionists whom it considers possible targets for Viet Cong abduction or assassination and two labor leaders whose detention is causing a particular stir. A new Lower House bloc has presented President Thieu with a reasoned appeal for certain governmental reforms as a reciprocal move for the people's anti-Communist fight and their sacrifices during the Tet offensive.

Ky Quits Task Force

1. Vice President Ky and General Nguyen Duc Thang resigned on 20 February as chairman and chief of staff, respectively, of the national recovery task force. Their duties have been assumed by Prime Minister Loc and Secretary to the Prime Minister Doan Ba Cang.

2. Ky announced his decision to the task force by asserting that the group's basic objectives, as outlined in its limited, temporary charter, had been accomplished and that his continuance as chairman would only give rise to further rumors that he is attempting a power grab. While these appear to be genuine reasons for Ky's resignation, there were also apparently other factors motivating his decision.

[redacted] indicate that he hoped Thieu would give him a longer mandate by urging him to stay on as chairman or that, failing this, he could point up the government's less than dynamic response to the emergency by withdrawing his own leadership.

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3. Thang had earlier attempted to resign in frustration over the task force's bureaucratic procedures and the constant bickering of some members. His resignation on the 20th was followed by the announcement of his long-pending appointment as IV Corps Commander, to succeed General Nguyen Van Manh. The appointment is to take effect on 1 March. Prime Minister Loc is not expected to put in a particularly effective performance as the new chairman of the task force, which in any case will probably only function for another two or three weeks. Doan Ba Cang, however, is regarded by Americans participating in the group as a man of action and could compensate somewhat for the absence of Ky and Thang.

#### Anti-Communist Front

4. The effort to establish a broadly based antigovernment front moved forward on 18 February, when a large number of prominent individuals with widely divergent views held what was dubbed the "People's Congress to Save the Nation." Among those present were veteran politicians Tran Van Huong, Phan Khac Suu, Ha Thuc Ky, Tran Van Tuyen, and Nguyen Xuan Oanh; labor leader Tran Quoc Buu; former generals Tran Van Don, Ton That Dinh, Pham Van Dong, Mai Huu Xuan, and Le Van Nghiem; moderate Buddhist Thich Tam Giac; a number of National Assembly members; and some Hoa Hao and Cao Dai luminaries.

5. The congress elected a 25-member standing committee to begin the work of forming an anti-Communist front, which all present agreed should support the government and receive help from it, but which definitely will not be a government tool. A 12-man advisory board was also selected to assist the standing committee.

6. Notably absent from the meeting, despite the wide representation present, were any members of President Thieu's entourage. They are apparently attempting, with less success, to organize their own anti-Communist front. The impetus for holding the congress was apparently provided by an assistant of Vice President Ky. The impression is widespread that this is a Ky group, but it is quite obvious that the congress and the front which is expected to emerge from it are not composed solely of Ky supporters.

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7. Although some encouragement can probably be taken from the fact that individuals of such diverse and, in many cases, strong antigovernment views could show even a fleeting unity of purpose, prospects for the front's cohesiveness are something less than bright. There is already criticism of it, even from some of the congress participants. Some are lending their names to the front, but not their active support, and others who participated in the congress have already withdrawn. Many others, both participants and non-participants, see the front as merely a means of advancement for the politically ambitious. Vice President Ky, [redacted] does not give the front much chance for success because he believes many will exploit it for their own interests.

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#### Government Detentions

8. Whatever gains might have been made by the congress may be negated by the government's detention during the week of a number of prominent persons. The police took into protective custody militant Buddhists Thich Tri Quang, Thich Ho Giac, and Thich Lieu Minh; former presidential candidates Truong Dinh Dzu and Vu Hong Khanh; oppositionist Au Truong Thanh; former defense minister under Diem, Ho Thong Minh; and labor leaders Tran Huu Quyen, secretary general of the Vietnamese Confederation of Labor (CVT), and Vo Van Tai, secretary of the CVT's Saigon Council. The government claimed that these individuals are possible targets for kidnaping by the Viet Cong, who would use them to establish a coalition government, or that the Communists might assassinate them and blame the government.

9. The government undoubtedly has a point. Many of these individuals might be susceptible to Communist propaganda on a coalition government or, as oppositionists, they might be targets for assassination by the Viet Cong, who could then attempt to smear the government. The scope of the arrests, however, and the fact that these people are oppositionists have given rise to cries that the government is simply out to get its political enemies. The

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detention of the two labor leaders has caused more of a stir than have any of the others, because these appear least justified.

10. Tran Quoc Buu, CVT President, has reportedly received indirect assurances from Vice President Ky that Quyen and Tai will be released, but no date has been given. He plans to bring the matter up with President Thieu in a meeting on 26 February, pointing out to Thieu that the CVT has been a consistent supporter of the government, despite occasional differences. Buu will also remind the president that immediately after the Tet offensive he, Quyen, and Tai issued statements condemning the Viet Cong and supporting the government, while non-CVT labor leaders have remained mute on the subject. It was CVT officials, however, whom the government chose to arrest.

11. The detention of militant Buddhist leader Thich Tri Quang is causing less of a commotion, but some sources feel that this action too will hurt the government. [redacted]

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[redacted] that Tri Quang's prestige with the Buddhist faithful had been diminishing rapidly in recent weeks and that [redacted] would probably have continued if he had not been taken into custody. Now, however, his image among his followers will probably grow. Lower House deputy Ly Quy Chung has expressed similar views, claiming that Tri Quang's refusal to denounce the Viet Cong attacks had seriously hurt his prestige, but that the government now has made a martyr of him.

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#### Lower House Bloc Appeals for Government Reform

12. A new Lower House group, the New Society Bloc, composed primarily of opposition deputies, has presented President Thieu with a reasoned appeal for a clean-up in government so the people's anti-Communist struggle and their sacrifices "will not have been in vain." The statement begins with a denunciation of the Communists' Tet attacks and goes on to request a reorganization of the administrative apparatus to eliminate corruption and inefficiency. It further urges an immediate re-evaluation of

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government policies and programs, particularly in the areas of national security, revolutionary development, and information.

13. The statement also points to the need for both true unity within the executive branch and greater allied assistance in order to put down false rumors that "the war has been prolonged for some hidden reason or other." Deputy Ly Quy Chung, one of the New Society Bloc's leaders, told an embassy officer that President Thieu, when presented with the statement, had appeared to accept the justice of the criticisms.

14. The reasonable tone of the statement and the manner of its presentation should strengthen its impact. The credentials of these opposition deputies as responsible critics are strengthened by the fact that they joined quite readily in the Lower House's earlier statement of support for the government during the crisis. They apparently still hold this view but recognize the immediate necessity for certain reforms.

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II. REVOLUTIONARY DEVELOPMENT

Approximately 481,000 additional refugees have been caused by the intensified fighting which has recently taken place throughout South Vietnam. Estimates of civilian casualties vary widely but losses have been heavy. [redacted]

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[redacted] The Communists'

Region 4--traditionally the city of Saigon and its environs--was extensively reorganized and enlarged in the latter months of 1967. Recently captured documents confirm that the Communists have a long-term plan to build up their strength in the cities.

Refugees and Civilian Casualties

1. From 30 January to 22 February, an estimated 481,000 refugees were caused by the intensified fighting which has recently taken place throughout South Vietnam. The breakdown by corps shows 78,000 refugees in I Corps, 86,000 in II Corps, 117,000 in III Corps--with 60,000 in Gia Dinh Province alone; 138,000 refugees in IV Corps.

2. Estimates of civilian casualties vary from 4,200 to 5,300 killed and at least 17,100 wounded. These estimates apparently include only the civilian losses in the provincial capitals and autonomous cities. If the status throughout the country can be sorted out, civilian dead will probably exceed this estimate. In the heat of battle, it is possible that some civilian casualties were included among the nearly 40,000 Viet Cong that have reportedly been killed since 30 January. Estimates of the number of civilian houses destroyed vary from 40,000 to 62,000.

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Status of the National Police

3. Although accounts on the performance of the National Police since the Communists' Tet offensive began on 30 January are still fragmentary, initial assessments indicate that, with some exceptions, the police forces in the provincial capitals turned in a creditable job. [redacted]

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[redacted] Police installations and senior officers appear to have been and remain a principal target of the enemy. For example, on 1 February, 13 police precinct and sub-precinct posts were attacked in the Saigon - Gia Dinh area alone.

4. A 17 February assessment of provincial police operations indicates that [redacted]

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[redacted] since 30 January the police lost 245 killed and 287 wounded. In many of the reporting provinces, the police are operating from damaged or temporary quarters. [redacted]

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5. It is not certain whether the losses suffered by the police in the six autonomous cities--two of which also serve as provincial capitals--are included in the initial loss figures. Over 100 police officers have reportedly been killed in the Saigon-Cholon area alone.

6. In several provincial capitals it appears that the police and Provincial Reconnaissance Units have taken advantage of intelligence gained through interrogations, documents, and agent reports to round-up members of the Communist infrastructure. In addition, a number of relatively high-ranking Viet Cong were captured during the fighting in the various urban areas. Some members of the Communists' city infrastructure--among them some key cadre--have reportedly been arrested in Da Nang, Nha Trang, Qui Nhon, Pleiku, Cam Ranh, and Rach Gia.

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7. The Communists, however, overran the provincial prisons in at least four cities--Hue, Quang Ngai, Phan Thiet, and Go Cong--and succeeded in releasing an estimated 3,200 detainees, the majority of whom were Viet Cong. These gains should help them to offset their loss of cadre.

#### Communist Reorganization of the Saigon Area

8. As early as December 1967 captured documents suggested that the Communists' Region 4 had been extensively reorganized and its territorial responsibilities extended. Region 4 traditionally had been the urban and suburban sectors of Saigon, Cholon and Gia Dinh and perhaps, more recently, the special "Rung Sat Zone." Since the Tet offensive, prisoners captured in the Saigon area have claimed that the capital area no longer has the status of a region. Although details of the reorganization are vague, it is possible that Region 4 has been made part of the much larger Region 1, which houses the Communists' major military/political headquarters in South Vietnam--COSVN.

9. Neither the prisoners nor the documents give any clear cut reason for this reorganization, but its timing coincides with preparations for the Tet offensive which represented the first Viet Cong attempt to mount any significant military action in the Saigon area. A major reorganization of this nature could suggest that the Communists intend to sustain this kind of pressure on the capital city for some time.

10. In the past, Region 4 had been a special anomaly among Communist regions. It is small in territory and served primarily political objectives. In the year prior to the Tet offensive, Communist efforts in Saigon had been confined to political/subversive operations which were only occasionally supplemented by spectacular terrorist-type attacks. Moreover, the political and military resources of Region 4 were seriously disrupted by allied operations during the past two years, probably reducing Region 4's capability to sustain a major military effort against Saigon.

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11. Prolonged military engagements in the city, however, would require that forces be brought in from outside the region, and would also require more extensive communications and support from surrounding military commands. In addition, there are indications that COSVN, or even Hanoi, may have assumed greater control over the current offensive in the Saigon area and central III Corps and may be charting strategy in this area.

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#### Communist Plans for Action in the Cities

12. Recently available texts of captured documents confirm that the Communists have a long-term plan to build up their strength in the cities. It thus seems likely that the Viet Cong will follow the recent Tet offensive with continuing political and military pressure against the urban areas.

13. Documents discussing a step-up in activities in the cities have appeared frequently over the past years. Late last summer, however, they began to increase gradually in number, apparently as the Communists began preparations for their offensive against urban centers. Long aware of their neglect of this area, they acknowledged that: "in many cities and towns, (party) committee cadre have not given proper attention to...carrying out the revolutionary's policy." But..."cities, in particular, are the enemy's last sanctuaries and should be destroyed at any cost... We must designate weak areas and cities and strongly develop our guerrilla warfare to strike regularly in those places."

14. Detailed instructions for Viet Cong agents being sent into the cities were captured near Saigon last June. Methods for infiltrating and exploiting labor unions and other organizations were spelled out. An indoctrination lesson captured in I Corps in December called for "more emphasis on cities and towns to develop political struggle movements and armed actions therein." A Viet Cong directive of 20 November called for city units in Pleiku Province to use secret guerrilla cells to "prepare the battlefield" inside the city and create

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favorable conditions there to "bring troops inside for operations," presumably with the Tet offensive in mind.

15. Assuming that some urban centers would be liberated, a directive of 16 November, probably issued from Military Region 5 Headquarters, instructs Viet Cong units on how to behave. The civilian population and private property were to be protected. Looting and drinking were prohibited. South Vietnamese military personnel and civilian officials, presumably excepting "traitors and tyrants," were to be propagandized, but not ill-treated.

16. The Communists in their Tet offensive failed to enlist widespread popular support, but their directives suggest a longer term effort to get at the population in cities and towns.

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III. ECONOMIC SITUATION

Retail prices in Saigon fell to only 17 percent above the pre-Tet level by 19 February as the big central market re-opened. Business activity not related to food, however, has been recovering much more slowly, and the Saigon business community reportedly foresees a relatively long period of uncertainty. Information on economic conditions in the countryside still is scarce, [redacted]

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Saigon Economic Situation

1. Retail prices in Saigon have dropped sharply since 12 February, when the regular USAID index of food and nonfood items was 61 percent above the pre-Tet level. The general price index on 19 February was only 17 percent higher than on 22 January, as shown in the following tabulation:

22 January	100
12 February	161
19 February	117 (estimated)

Minister of Economy Ton reported that, between 16 and 18 February, rice prices fell 20 percent as more commercial dealers resumed sales. The sharp drop in the over-all price level probably reflects the reopening of the large central market, which had been closed since the offensive began.

2. As of 16 February it was clear that other economic activities in Saigon were not recovering as quickly as those concerned with food. The embassy reported that only half to two thirds of the shops in downtown Saigon were open and these were doing little business. Curfew restrictions, although gradually being lifted, are believed to be one of the major restrictions to the resumption of normal business activity. Businessmen apparently are skeptical, expecting that conditions will

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remain uncertain for at least another two months. Import licensing resumed on 12 February, but USAID received few license applications during the week for the Commercial Import Program. Banks apparently are very reluctant to finance new inventories because of the security situation and the uncertainty about financing for damages to importers' inventories. Most important, perhaps, is that the general lag in business activity has caused widespread failure on the part of present creditors to repay loans on time.

3. Insurance companies now estimate that damage claims arising from the attacks in the Saigon area will amount to 3-4 billion piasters, of which 1.2 billion piasters is accounted for by damage to one textile factory. Business firms will be liable unless they can show that losses were the direct result of war, and litigation on this point is expected to be lengthy. The government is now discussing the possibility of making loans to repair war damage and/or establishing a war insurance fund for future contingencies.

#### Provincial Economic Situation

4. Information on economic conditions in most provinces still is scarce. [redacted]

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#### Long An Province

5. Tan An, the capital of Long An Province just south of Saigon, was attacked by the Viet Cong early on 10 February. Although the people reportedly feared a second attack, the city market was open and crowded again by the morning of 11 February. At that time the city had ample food, but no milk or gasoline was available in normal commercial channels. Meat prices reportedly were up 30 percent, but vegetable prices were lower than usual because growers were unable to get their produce to Saigon via Route 4. Tan An's population

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was swollen not only by relatives visiting during the Tet holiday but also by an estimated 2,500 people who had fled to Tan An from My Tho in the south and from Saigon. By 11 February, provincial officials reported that about two thirds of the civil servants were back on the job. This showing was partly the result of efforts by the province chief, who arranged for military trucks to transport persons stranded in Saigon to their jobs in Tan An and vice versa.

#### Kien Hoa Province

6. Unlike Tan An, Ben Tre, the capital of Kien Hoa Province, was attacked early in the offensive and suffered considerable damage. An aerial survey showed that about 30 percent of the city was destroyed. [redacted] the damage is more evident in Ben Tre than in other delta towns, with the possible exception of Vinh Long, because the Viet Cong burned the central market and because a large area of solidly built two-story buildings in the center of town was destroyed or severely damaged. On the outskirts of town, poorer dwellings in the path of the Viet Cong attack also were destroyed. Such surrounding areas were the most heavily damaged throughout the delta. As of 20 February, there were an estimated 18,000 refugees receiving assistance in Ben Tre, but officials expect that about half of them will be able to return home. [redacted] province officials have done little to assist the refugees--most of the effort has been led by CORDS, religious organizations, and volunteer groups. Rising prices and food shortages were a temporary problem in Ben Tre. Officials report that as of 20 February food was plentiful and prices were declining. As in Tan An, food grown in Ben Tre and normally sold in Saigon was being sold locally until the roads are secure. For Ben Tre the important commercial road is Route 6A to My Tho, which reportedly had several Viet Cong checkpoints along it.

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Long Khanh Province

7. Xuan Loc, the capital of Long Khanh Province located northeast of Saigon in III Corps, was attacked on 31 January, but apparently suffered little damage. Officials report that throughout the province about 200 houses were destroyed, of which 60 in Xuan Loc were burned by illumination flares. There was continuous air transport to the town and military convoys came every day, but by 12 February bus service, presumably on Route 1, had been available on only two days. By 12 February, American pacification advisers had been driving regularly to and from Bien Hoa for several days. Route 1 from Xuan Loc to Phan Thiet on the coast reportedly had never been closed. Provincial officials acted immediately to set up a rice rationing system, and people have been allowed to buy one day's supply at a time for each family member. The sales are handled by rice merchants, but only one is allowed to sell rice each day. As of 12 February, the province had about ten days' supply of rice on hand and gasoline reportedly was on the way to replenish the exhausted supply.

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