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CENTRAL INTELLIGENCE AGENCY

7 July 1954

MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: Critical Factors Underlying the Viability of a South Vietnam State

THE PROBLEM

To estimate what factors would be of critical importance in the establishment of a viable South Vietnam state after the withdrawal of the non-Communists.

DISCUSSION

1. In the paragraphs below, we have described the factors we regard as essential in the establishment of a viable South Vietnam state. We have stated these in broad terms, without regard for the circumstances prevailing at the time the action of establishing such a state was taken. We recognize that in the rapidly-deteriorating Indochinese situation the timing, the execution, and the circumstances surrounding the action would be crucial, but we are unable, within the scope of this paper, to

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discuss these aspects. We have not assessed the degree of difficulty involved in creating the conditions for a viable South Vietnam state. In general, we consider that those difficulties, already great, will grow in size and number if the situation in Vietnam continues to deteriorate.

2. International recognition and support. It would be essential that the government of South Vietnam receive international recognition and support. It would be most beneficial if the military strength of the US and UK were committed to protecting the integrity of the south Vietnam state. The political stature of the South Vietnam state would be enhanced if the Colombo powers extended recognition and support.

3. Secure borders. In the event of a cease fire and the establishment of a demarcation line between North and South Vietnam, it would be essential that this border, as well as the borders of Laos and Cambodia, be secured by international guarantee. The problem of controlling Communist infiltration would be facilitated by international supervision. We do not consider the precise location of the north-south border to be a critical factor so long as it: (a) bisects Vietnam north of Tourane and south of Vinh; and (b) is so drawn as to facilitate international supervision and military defense. To insure the security of South

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Vietnam's western border and for less tangible benefits as well, it would be essential that Laos and Cambodia be independent non-Communist countries with effective governments and that the Viet Minh forces currently operating in Laos and Cambodia be withdrawn. Maximum political stability would accrue to South Vietnam if these forces were withdrawn as the result of international agreement. In the event a cease fire were not obtained and the fighting continued, it would be essential that substantial outside forces were committed to the security of South Vietnam's borders.*

4. National independence. It would be essential that South Vietnam be independent of France and that this be manifested in terms visible to the average Vietnamese. Most Vietnamese groups, both political organizations like the Dai Viet and confessional groups like the Cao Daists, have as their first political tenet the independence of Vietnam. Unless it were apparent to these groups at the outset that the government was truly independent and that Vietnam was not irrevocably divided, they would probably withhold their support and they might take this occasion to join forces with the Viet Minh "nationalists". It is doubtful that the South Vietnam government could maintain the necessary appearance of independence while holding membership in the French Union as

* This paper does not discuss the strictly military requirements of holding a military line south of the Delta. These requirements have been set forth in "Final Report of the Five-Power Military Conference" of June 1954 (Top Secret), dated 11 June 1954.

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presently constituted. However, the Vietnamese might be able and willing to be members of a less formal organization, somewhat similar to the British Commonwealth, if the French in return were willing to give up their dominant economic position in Vietnam. The Vietnamese desire to control their own economy and would probably demand a reapportioning of a substantial share of French interests and the relinquishment of other French economic privileges. If French colonial interests were unwilling to accept such a development, the South Vietnam government would probably find it necessary to withdraw from the French Union and to take drastic steps to reduce the economic position of the French.

5. Internal security. It would be essential that the government be capable of providing physical security to the Vietnamese. After many years of war and guerrilla activity, the Vietnamese crave security above all else. Maximum political advantages would accrue if this were accomplished by: (a) the withdrawal of Viet Minh regulars and guerrillas through international agreement under effective international supervision; and (b) the establishment of a competent national police force, probably drawn initially from Vietnamese army units. In this circumstance, and provided that South Vietnam was not required for the short term to assume more than a minor share in the defense of its borders, adequate forces would probably be available from among present Vietnamese forces

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in Central and South Vietnam for the establishment of such a force.* An essential first step would be to remove all security functions from the Binh Xuyen, a Saigon underworld group. Over a longer term, it would be essential that the Vietnamese leaders be assured that a national army would be established on a parity with the Viet Minh forces in North Vietnam.

6. Economic viability. It would be essential that the government achieve short term economic viability by: (a) reducing the foreign share of national income; (b) exporting sufficient raw materials, principally rice and rubber, to pay for imports of manufactured goods; and (c) obtaining adequate technical and financial assistance to support Vietnam during the initial period. Present US technical and financial assistance to Vietnam totals approximately \$25 million annually. It would be essential that the new government continue to receive such aid, expanded in those areas of the economy where it would facilitate economic development. The government would require additional financial assistance, both to rehabilitate and develop such basic services as power and transportation and to meet whatever balance-of-payments deficit existed. This deficit could probably be held to \$200-250 million annually if the Vietnamese could achieve small increases in rice and rubber exports while eliminating the large quantities of luxury goods

* Vietnamese forces currently in Central and South Vietnam number 153,000 (59 regular battalions, 47 light battalions, 23,000 national guard, and 44,000 auxiliaries). To this number might be added Vietnamese personnel from the 59 battalions now in the Tonkin Delta. Even if the desertion rate was high, a substantial forces would probably remain.

presently imported. A sizeable amount of this deficit would be met if the US continued to give financial support to military programs in Indochina. The government might also need financial assistance to support resettlement projects to take care of evacuees from the Viet Minh territories. This might also be used as a program to induce increasing numbers of northerners to leave the Viet Minh areas. The period of financial support would probably be at least five years, although the amount required would probably diminish toward the latter part of this period.

7. Administrative reform. The form of the new South Vietnam government would be less important than that it quickly establish among the Vietnamese a reputation for honesty and efficiency. Present widespread corruption and graft would have to be reduced or eliminated. If such an efficient government were established, we do not consider that it would be essential in the short term to hold national elections. If it were necessary to take some political action in order to offset Viet Minh propaganda about Communist democracy and elections, the government could hold local elections in towns and villages and announce plans for eventual national elections. A number of French advisers and technical assistants would probably be retained but it would be essential that the Vietnamese be able to replace any individual with personnel

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from other countries if deemed desirable. Administrative reform of the extent required would be impossible under the present leadership of Bao Dai and his entourage.

8. To carry out the actions described above, it would be essential to identify a few leaders and a large number of honest and competent administrators, who at the same time were representative of North, Center, and South Vietnam. Because of the long period of French control, there are relatively few Vietnamese with political training or experience. However, there are a few individuals who have displayed genuine leadership and others may emerge when an independent South Vietnam state is established. In any event, foreign administrative assistance would be required for an indefinite period of time.



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