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WEEKLY REPORT



THE SITUATION IN SOUTH VIETNAM

23 June 1965

**INTELLIGENCE AND REPORTING SUBCOMMITTEE OF THE INTERAGENCY
VIETNAM COORDINATING COMMITTEE**

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THE SITUATION IN SOUTH VIETNAM

(17 June - 23 June 1965)

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The Weekly Report on the situation in South Vietnam is based on contributions from CIA, DIA and INR edited and published by CIA without final coordination. A fully coordinated Monthly Report is disseminated the first Friday of every month.

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THE WEEK IN PERSPECTIVE

Saigon's new military government, with General Nguyen Van Thieu in the role of chief of state and Air Marshal Nguyen Cao Ky as premier, was formally installed on 21 June. Although ultimate sovereignty resides in a Congress of the Armed Forces, comprising all general officers and senior army commanders, actual policy direction and legislative power rests with a 10-man Directory of key generals including Thieu and Ky.

Ky's "war" cabinet is made up for the most part of young but qualified technicians, particularly in ministries related to the economy. A key factor affecting the new government's prospects for success may be the ability of Premier Ky to shed his image of rashness and bravado and to develop attributes of real leadership.

Ky's 26-point program of action, aimed at strengthening the war effort and fostering social justice, would effect a radical departure from past political, social, and economic patterns. While entailing a serious risk of friction with entrenched political and economic interests, the program's heavy demands on the country's limited administrative talent, both in the control of manpower and of economic resources, poses a greater danger of internal dislocation and chaos.

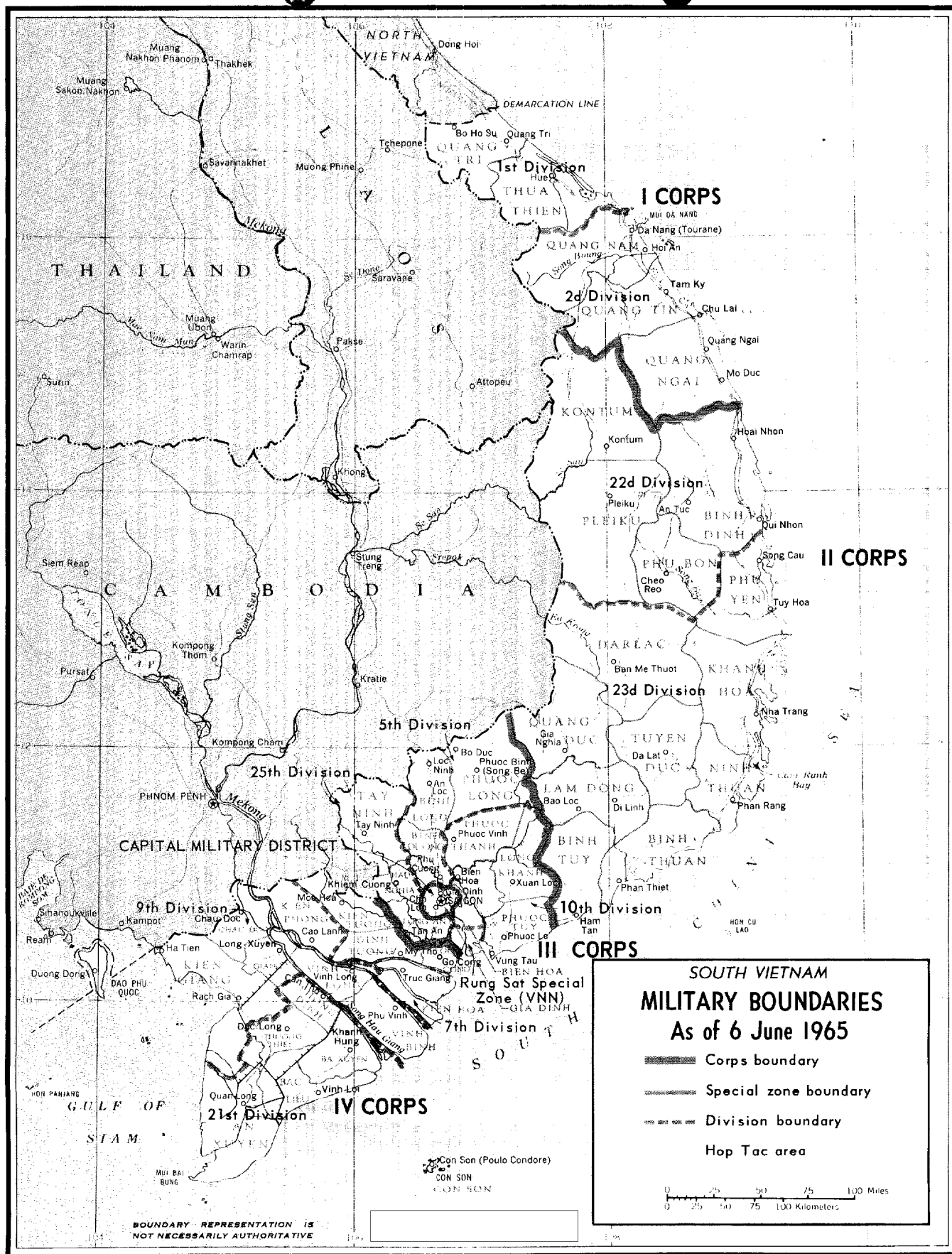
While both the Catholics and the Buddhists appear to be intrigued with the prospect of revolutionary change, both groups have serious reservations with one or another of the key generals, and their attitudes are at best ones of watchful waiting.

Despite the easing of the war last week, there are indications of further Viet Cong pressure designed to destroy government forces. Operations to be expected include Viet Cong attacks in more-than-battalion strength



against isolated government forces and probably against a district or provincial capital, as well as ambushes of friendly forces moving along lines of communication or arriving in helicopter landing zones.

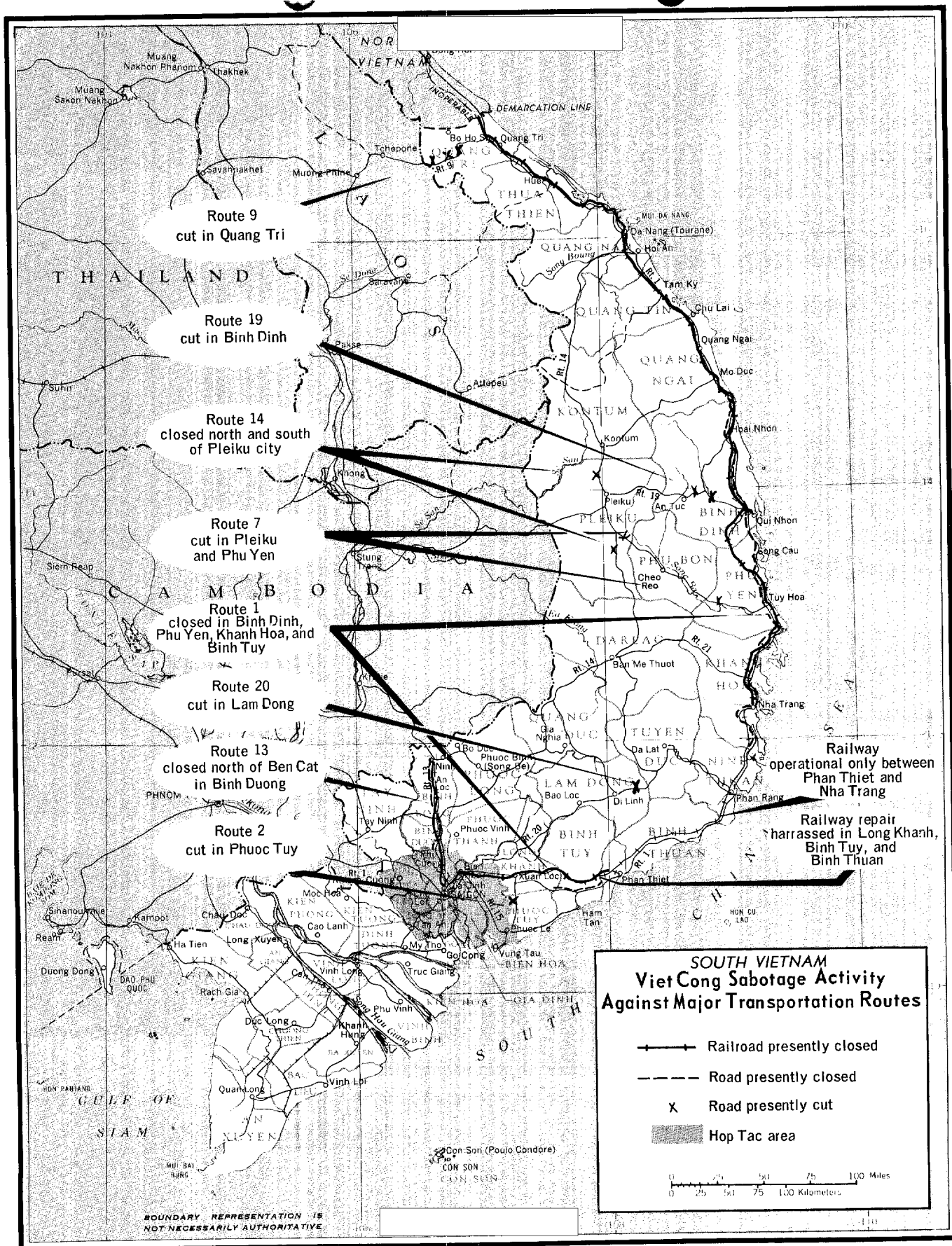




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I. THE SITUATION WITHIN SOUTH VIETNAMA. POLITICAL SITUATION

1. The new military government was formally installed on 21 June as Air Marshal Nguyen Cao Ky and General Nguyen Van Thieu in separate ceremonies took over the duties of former Premier Quat and Chief of State Suu respectively. Earlier, on 19 June, the appointments of Ky and Thieu were confirmed by a full-dress meeting of South Vietnam's senior military officers. At that time, the new government's governing charter, or convention, was also approved, together with a draft policy statement and cabinet slate submitted by General Ky.

2. Under the convention, national sovereignty is temporarily vested in a Congress of the Armed Forces. The Congress is composed of all general officers of the armed forces, the commanders of the military corps areas and the Capital Military District (CMD), and all division commanders. A majority of the corps and division commanders are already general officers.

3. Under the charter, the Congress has established from its membership a Directory, which is entrusted with the "exercise of power and the direction of all of the affairs of the nation." This Directory is the same as the previously envisaged 10-man "military leadership committee" and is responsible to the Congress. Its membership is fixed as the chairman--already announced as General Thieu; the secretary-general who is in charge of drafting legislation; the chief of the Joint General Staff (JGS); the "commissioner" for the executive who acts as premier; the defense minister; and the commanders of the four corps areas and of the CMD. The Directory appears to have legislative authority.

4. As chairman of the Directory, General Thieu serves in essence as the formal or ceremonial chief of state. He has the power to promulgate laws, appoint cabinet ministers, diplomats, judges, university rectors, the prefect of Saigon, and general officers, and to declare war and conclude peace, but his powers


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are carefully circumscribed in accordance with "proposals" of the premier, the Council of Magistrates, or the defense minister, or with "decisions" of the Directory of the National Security Council. On his own, the chairman has the authority to award decorations and to grant amnesty.

5. The charter gives the commissioner for the executive, or premier, authority to implement national policies, organize all executive agencies, and draft laws for submission to the Directory. He is also specifically granted authority to replace, as well as to appoint, public officials, thus avoiding the ticklish constitutional issue on which the Quat government stumbled. However, in decisions affecting agencies of provincial or national echelon, the premier must obtain approval of the Directory.

6. The governing convention also provides for the establishment in the future of an Economic and Social Council with powers to discuss and draft economic programs; a National Security Council--composed of the chairman, secretary-general, premier, defense minister, and chief, JGS--to recommend measures affecting national security of war; and a High Council of Magistrates to propose the appointment or dismissal of judges and to "safeguard the independence of the judiciary." The convention itself can be amended by a vote of two-thirds of the Congress of the Armed Forces.

7. The "war" cabinet, or "executive committee," under Premier Ky, consists of five full ministers--foreign affairs, justice, war, economy and finance, and culture and social action--and 10 subordinate secretaries of state. The secretaries are grouped under the authority of three of the ministers, or "commissioners" as follows: War: defense, psychological warfare, rural affairs, interior, youth; Economy and Finance: economy, finance, agriculture, public works; Culture and Social Action: education, health, social welfare, labor.

8. The new cabinet contains only two other military officers in addition to Premier Ky. These are the minister of war, General Nguyen Huu Co,

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formerly commander of II Corps, and the secretary of health, a colonel and former army surgeon. Two of the ministers, Foreign Affairs Minister Tran Van Do and Justice Minister Lu Van Vi, are held over from the Quat cabinet, as are the secretaries of psychological warfare, youth, finance, agriculture, public works. The cabinet is almost equally balanced between representatives of the north and south, with the central region apparently having only one representative. Religious and political ties appear to have played no significant part in the selection of the cabinet; most of the members are young technicians with professional backgrounds, including three doctors, three engineers, three lawyers, a judge, a professor of economics, a bank administrator, and a labor expert. The Embassy regards the cabinet in general as a group of highly-motivated persons, many of whom have refused to serve past governments, and considers the economic wing the most capable to emerge since Diem's overthrow. Premier Ky is apparently retaining his title as chief of the air force, which presumably will be run by a trusted deputy until Ky is prepared to relinquish the premiership and resume active command.

9. In his speech of 19 June, Ky characterized the state of the nation as grave, pinpointed the "Communist aggressor" as the main enemy of the nation, and presented a 26-point program in the military, economic, social, and diplomatic fields for dealing with the crisis. Essentially, the goals of his program are to form a "revolutionary" government to mobilize the entire country behind the war effort while at the same time promoting radical social improvements. In this endeavor, his 26 urgent steps envision such measures as gradual arming of the populace, organizing civilians--particularly youth--into groups with specific tasks, and forming "special courts" to punish terrorists and other "traitors" including profiteers and economic speculators. As the first step in this direction, a Viet Cong terrorist was executed in Saigon on 22 June, and execution places have been set up as a warning to other trouble-makers. Some six other persons, including ex-coup plotters, speculators, and a corrupt former official, are reportedly marked for early execution; rumors are afoot that a powerful Chinese businessman is next in line.

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10. In the economic and social fields, Ky's program would effect a radical departure from the past if fully implemented. In addition to plans to raise import and luxury taxes, tighten controls on foreign travel, and crack down on speculators by using youth control teams to check business inventories and practices, the government plans to set up its own agency for the purchase and distribution of rice, to set price controls, and to establish a watchdog and coordinating agency. Measures are to be instituted to narrow salary differences in the armed forces and civil service; school facilities are to be increased, textbooks rewritten, and youth and students organized into groups for indoctrination in revolutionary principles. Writers and artists are to be given "incentives" to serve the public with emphasis on the needs of the peasants, workers, and servicemen.

11. In the diplomatic field, Ky proposes a review of diplomatic personnel in order to assure appointments on the basis of ability, to establish regional centers abroad in order to project South Vietnam's image, and to enlist the participation of Vietnamese "residents" abroad in the "revolutionary struggle." Not spelled out in his 26 points, but envisaged, are efforts to strengthen ties with friendly countries and sever ties with unfriendly ones. The first step apparently planned along these lines is a formal break in relations with France, said to be unanimously desired by all top generals. Such a move, which might eventually entail nationalization of French-owned industries in South Vietnam, could bring further disruption and deterioration within South Vietnam in both the economic and educational spheres.

12. In a separate speech on 22 June, during ceremonies honoring foreign assistance to South Vietnam's struggle against the Viet Cong, Foreign Minister Do for the first time laid down four major conditions for a peace settlement in South Vietnam. He called for 1) an end to Communist military and subversive activity and the dissolution of Communist "puppet" organizations including the Liberation Front and the People's Revolutionary Party, accompanied by the

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withdrawal of infiltrated troops and cadres; 2) the right of South Vietnam to settle its own affairs; 3) the eventual withdrawal of friendly troops while reserving South Vietnam's right to request their future assistance if required; and 4) effective guarantees of South Vietnam's independence and freedom. These conditions were generally coordinated in advance with US officials, with the Vietnamese specifically proposing the point on effective guarantees. Do avoided any mention of South Vietnam's future relations with North Vietnam or of reunification, an apparent reflection of the country's continued sensitivity to Vietnam's divided status.

13. In attempting to assess the prospects of the new government as a whole, the US Embassy has noted that it has certain assets, primarily in terms of youthful energy and revolutionary fervor, as well as some outstanding economic talent. In making a complete break with past political institutions and pressure groups, it is backed by the authority and power of the military, who have in recent months displayed a considerable degree of unity. Some of its specific programs, such as the establishment of special courts, imposition of higher taxes and price controls, increases in military allowances, and steps to improve the civil and diplomatic service can probably be feasibly accomplished.

14. Some of the government's social and economic proposals are more drastic, and risk provoking new political dissension from sophisticated and well-entrenched elements of society; in the past the generals have not proved themselves more skillful in handling these areas than civilians. In their efforts to mobilize the people, particularly through such means as youth vanguard groups, the military are moving into more troublesome areas, in which a serious weakness is the lack of any firm political base. Drawing on precedents of the Diem regime, they may achieve some of their goals in this area if they do not push too rapidly. With the administrative burden involved in these programs, plus their plans for far-reaching and complex government intervention in the economic sphere, however, the new military leaders run considerable risk of straining the country's limited bureaucratic resources,



creating serious economic dislocations, and fomenting new antagonisms within the civilian society and among themselves.

15. At the present time, the new government enjoys relative freedom from open opposition despite undercurrents of skepticism and criticism. Buddhist leader Tri Quang has told the Embassy that the Buddhist have "reluctantly" agreed to accept as chief of state General Thieu, a Catholic whom they suspect of intriguing against their interests in the past. Two leaders of the more militant refugee Catholic clergy have affirmed that the Catholics will follow a policy of waiting to see how the government develops. One of these priests claimed, however, that strong opposition was forming in some circles, primarily among southern-oriented politicians and religious sects who might attempt to foment agitation among current uneasy student groups. The Embassy believes that one of the major factors in determining whether these groups can be kept in line will be the ability of Premier Ky, whom many of them regard as rash and shallow, to arouse enthusiasm and develop as a leader of some stature.




B. MILITARY SITUATION

1. The Viet Cong curtailed their military activities sharply during the past week but continued to exert considerable pressure on land lines of communications throughout the nation. Activity initiated by the Viet Cong was high in the northern provinces and relatively low in the delta. The major Viet Cong effort appeared to be the repositioning of their forces, especially in the southern sector of I Corps and in the central highlands of Military Region 5, and in Phuoc Long Province north of Saigon. Despite the sharp decrease in the intensity of Communist activity this week, there are no indications that the enemy has withdrawn from the field. This week's decline is probably a normal cyclic fluctuation of current activities which can be expected from time to time at the Viet Cong's initiative.

There were no significant or spectacular enemy attacks reported during the week. A Viet Cong company successfully attacked two Popular Force Platoons defending a hamlet in Quang Ngai Province. There were six casualties, and 19 friendly troops were missing after the attack along with 24 weapons. The enemy devoted considerable effort to interdiction of lines of communications, especially along National Route 1 in the coastal provinces, sabotaging bridges, mining road beds, and obstructing roadways. There were a number of small ambushes last week, indicating that while the Viet Cong may be preparing for their next series of attacks, sufficient enemy forces have been strung out along most major transportation routes to harass and, when the opportunity arises, ambush small isolated friendly forces.

2. The number of South Vietnamese military operations of battalion-size or larger conducted last week declined slightly to 73 from 77 of the previous week. Similarly, the number making contact with enemy forces declined to 25, the lowest number in a week since the Tet holidays. This general downward trend has been apparent since mid-May and reflects the growing defensive posture and attitude of senior ARVN commanders, who are tending to restrict the number of large-scale operations. The trend also points up the difficulty

of engaging an elusive enemy in territory where the Viet Cong are able to control most of the human resources and thus able to deny government forces adequate intelligence on the Viet Cong. The result is that most operations are inconclusive and in many instances leads to ambush. The number of small-unit actions remains relatively stable, around 17,000 per week, but the number in contact with the Viet Cong is low, about 65.

3. Lower losses this week reflect the stand-down of major Viet Cong operations on their own initiative and, on the government side, the growing spirit of cautiousness beginning to pervade senior ARVN commanders. Government casualties declined to 525 (100 KIA) from 1,313 (436 KIA). Viet Cong losses similarly declined to 211 (177 KIA) from 619 (572 KIA) of the previous week. Government weapon losses declined to 297 from 658 while Communist losses also declined to 78 from 334.

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C. RURAL RECONSTRUCTION

1. No current evaluation of the Rural Reconstruction program by the US Mission is available, nor is there sufficient information on which to base a Washington assessment at this time.

2. The South Vietnamese Ministry of Social Welfare reports a total of 479,645 refugees in the first five months of this year. Of these, 143,306 have been resettled in permanent locations; the remainder are still in temporary refugee camps throughout the country. During these five months the Ministry of Social Welfare has sent the provinces 47 million piasters for emergency refugee relief.

3. Complicating the refugee problem is the continued lack of adequate coastal sea-lift to move military and civilian goods to the central coastal ports. An estimated 40,000 tons of supplies per month must now be moved north by sea because of increased Viet Cong road and rail sabotage. It appears that in June shipments will fall short of minimum requirements by an estimated 17,000 tons. The GVN and USOM as well as ARVN and USMACV have been working together in an attempt to reduce the sea transport bottleneck.

4. According to government figures, 3,046 persons returned to GVN control under the Chieu Hoi program during the past week, an increase of 1,194 over the previous week. Included were 131 military and 24 political personnel; figures for these categories in the preceding week were 320 and 146 respectively. Twelve weapons and 23 grenades were recovered.

5. ARVN is continuing to stress its psychological warfare operations, with particular emphasis on the Chieu Hoi program. On 17 June, 38 recently impressed Viet Cong surrendered in Phuoc Thanh Province. They had been conscripted in the Delta area and were being moved to War Zone D for training when they deserted. Another 150 trainees are reported to be in the Phuoc Thanh area, and ARVN has undertaken airborne loud-speaker operations in an effort to induce them to desert the Viet Cong.





6. In An Xuyen Province, it is reported that some young men are leaving Viet Cong - controlled villages and enlisting in government regular or paramilitary forces. So far, 35 young men have been verified as enlisting on the government side in order to escape Viet Cong conscription. The 21st Division is preparing a psychological warfare operation in An Xuyen, using leaflet drops and airborne loudspeaker broadcasts to urge more young men to come over to the side of the government.




D. ECONOMIC SITUATION

1. A mission assessment of the economic situation indicates that intensified Viet Cong activity has had an increasingly adverse impact on the economy of South Vietnam in the form of local shortages of goods, price rises, and increased hoarding. In the meantime, increased GVN military expenditures have added fuel to the incipient inflation.

2. Route 20 between Saigon and Dalat has again been cut by the Viet Cong, interrupting the supply of vegetables to Saigon. Some 20 percent of the rubber plantation workers are estimated to be idle because of interference with shipments to and from the rubber growing areas. The rice situation has continued to deteriorate as stocks in Saigon and the Mekong delta have decreased further, and the collection of rice paddy from the countryside has become more difficult. Actual and expected shortages have brought about sharp increases in the prices of vegetables, fish, eggs, rice, charcoal, condensed milk, and wheat flour.

3. The pressures of military demand have also been felt on the economy. Labor costs in Saigon and the coastal cities have risen significantly, particularly in construction activities. There have been greatly increased complaints from Vietnamese about the inability of the GVN and private individuals to compete with higher prices paid by the US military and by local contractors working on US projects.

4. Transportation difficulties have created a large backlog of supplies in Saigon which are needed in the provinces. Current provincial stocks range from only one week in Thua Thien and Quang Ngai to eight weeks in Da Nang city. Coastal shipping is hindered by the slow turnaround time at Da Nang; six of eight chartered vessels have been withdrawn from the Da Nang run by their owners. USOM is attempting to meet the problem by the transfer of barges from Siagon to Da Nang to facilitate off-loading and by plans to utilize junk craft to carry cargo to the ports north of Saigon.

5. While the Viet Cong are continuing their attempts to disrupt the South Vietnamese economy, they are also taking more extensive economic measures in areas under their control. South Vietnamese currency is being replaced by North Vietnamese banknotes in more areas, and the Viet Cong are issuing receipts in various denominations for forced loans by the populace; the quality of paper and printing used for these receipts suggest an intention to carry out the program on a broad scale and on a permanent basis. The VC are also offering good prices for rice purchases and are encouraging farmers in the Delta to hoard rice not sold to the VC by advising them price increases are likely.

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II. THIRD COUNTRY DEVELOPMENTS

A. DIPLOMATIC ACTIVITIES

1. The new government appears to show real interest in pressing the South Vietnamese case abroad and in improving the GVN diplomatic service. In his State of the Nation address on 19 June, Premier Ky recommended that the GVN create centers of diplomatic activities in the principal foreign countries in South America, Africa, and the Near East, and at the United Nations. Ky also recommended that all the diplomatic personnel be given new tests to determine their abilities.

B. AFRO-ASIAN CONFERENCE

1. Last week the GVN resumed preparations for the Afro-Asian Conference with the appointment of an advance party, which is to go to Morocco, remain there for three to four days, and then proceed to Algiers if invitations to the conference and visas can be obtained. General Ky has indicated that he plans to attend the Chiefs-of-State meeting which begins on 29 June. The GVN has cabled 37 Afro-Asian countries reasserting its right to attend the conference.

2. The GVN ambassador-designate to Ethiopia, Vinh Tho, continued an unofficial tour of Near Eastern nations to press the GVN's case for admittance to the Afro-Asian conference. Syria refused to grant him a visa.

3. Japanese Deputy Vice Foreign Minister Ushita told Ambassador Reischauer that Thailand and Japan will co-sponsor South Vietnam and South Korea at the Afro-Asian Conference. Japan will take the initiative on behalf of South Korea, and Thailand on behalf of Vietnam, at the Foreign Ministers' meeting scheduled to begin on 24 June in Algiers. Ushita added that Japan will walk out if the Liberation Front were admitted instead of the GVN but would not walk out if North Vietnam were admitted. He was noncommittal on the contingency that the DRV, and the GVN, and the Liberation Front should all be admitted.

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C. FRANCE

Foreign Minister Tran Van Do informed the US Embassy in Saigon that General Ky is still determined to break diplomatic relations with France primarily as a means of generating popular support. General Ky is slated to announce this decision at a press conference on 24 June.

D. PEACE PROPOSALS

1. In a public proclamation, the GVN announced that it welcomed the Commonwealth Prime Ministers' initiative for restoring peace, but noted that none of the previous peace proposals have evoked a favorable response from the Communists. (Members of the delegation include Prime Minister Wilson of the UK, President Kwame Nkrumah of Ghana, Sir Abubakar Tufawa Balewa of Nigeria, and Prime Minister Eric Williams of Trinidad and Tobago.)

2. According to the GVN observer at the United Nations, a member of the Indian delegation told him that India and other Afro-Asian countries are working on a proposal on Vietnam for submission to the Algiers conference. The proposal reportedly would urge the US, the GVN, the DRV, and the Liberation Front to open discussions immediately on the cessation of military activities, both in South and North Vietnam. The proposal might also suggest Algiers as the site for these discussions.

E. FREE WORLD ASSISTANCE

With the special session drawing to a close on 24 June, President Macapagal has not certified to the Philippine Congress the administration's bill for aid to Vietnam. Philippine Defense Secretary Peralta has forecast that if no action has been taken before the session ends, the President will call a second special session to consider the legislation. Such action, owing to the present Philippine political climate, will further annoy the opposition Nacionalistas, some of whom are not favorably disposed towards the US \$6.58 million military contribution. Nacionalista presidential candidate and Senate President Marcos advised

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Ambassador Blair during the week that the Nacionalistas had been released from their caucus commitment to oppose the bill, and predicted passage of the bill in some form.




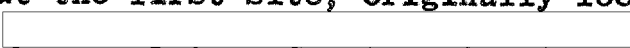
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III. DEVELOPMENTS IN THE BLOC

A. MILITARY DEVELOPMENTS

1. According to photography  a fourth SA-2 missile site is in the early stages of construction west northwest of Hanoi. Construction at the first site, originally located on 5 April  appears to be complete. Construction is apparently nearing completion at the remaining two sites. No missiles have as yet been spotted at the SAM installations.

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2. On 17 June two US Navy F4B jet fighters engaged four MIG 17s about forty miles south of Hanoi. Two of the MIGs were destroyed by air-to-air missiles. Three days later, on 20 June, two US AH propellor-driven aircraft flying protective patrol for a rescue mission were engaged by Communist jet fighters, probably MIG 17 D or E models. The MIGs fired rockets which missed. One MIG then engaged in close combat with the AHs and was shot down.

B. COMMONWEALTH PEACE PROPOSAL

1. Bloc propaganda reaction to the proposal by Prime Minister Wilson for a five-nation Commonwealth peace mission on Vietnam was negative. Peiping and Hanoi sharply lashed out at the proposal, calling it a screen to protect the interests and position of the United States in Vietnam. Both asserted that the four-point proposal of Pham Van Dong as set forth on 8 April remained the key for any settlement of the Vietnamese war. Neither, however, ruled out receiving the mission.

2. Moscow propaganda avoided any sharp attacks on the Wilson proposal and was content to point out its futility. A Soviet Foreign Ministry official advised the US embassy that if Hanoi refused to receive the Commonwealth emissaries, there would be "little point" in their coming to Moscow.



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C. AFRO-ASIAN CONFERENCE

1. The Liberation Front initiated a propaganda campaign this week designed to secure itself a seat at the Afro-Asian Conference as the legitimate representative of South Vietnam. On 17 June the Central Committee of the Front issued a lengthy memorandum cataloguing the "crimes" of the Saigon "administration" and its lack of support from Afro-Asian nations. It contrasted Saigon's position with the Front's "virtues" and the support it assertedly received in Afro-Asian circles. The Front claimed that because of such support it should be the "only" representative of South Vietnam at the conference. Hanoi's party daily on 18 June supported this position, declaring that the US "stooge" in Saigon had no right to represent the "southern part of Vietnam." An identical stand was taken by Peiping's People's Daily on the 20th.

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D. NORTH VIETNAMESE STATEMENTS

1. The DRV position on negotiations was once again spelled out this week in interviews given by Ho Chi Minh and Pham Van Dong. Speaking to a Pravda correspondent on 18 June, Ho stated that the position of the Vietnamese people and the DRV government which is formulated in the "universally known four points" is a "correct and reasonable position." Talking to a Chinese correspondent on 19 June, Pham Van Dong asserted that North Vietnam's commitment to its four-point formula was "firm and irrevocable."

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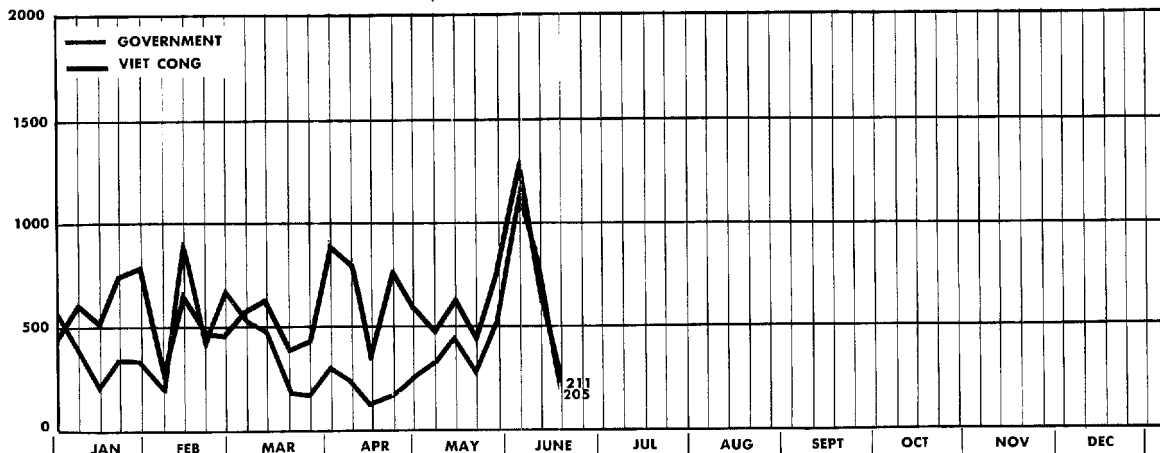
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SOUTH VIETNAM BATTLE STATISTICS, 1965

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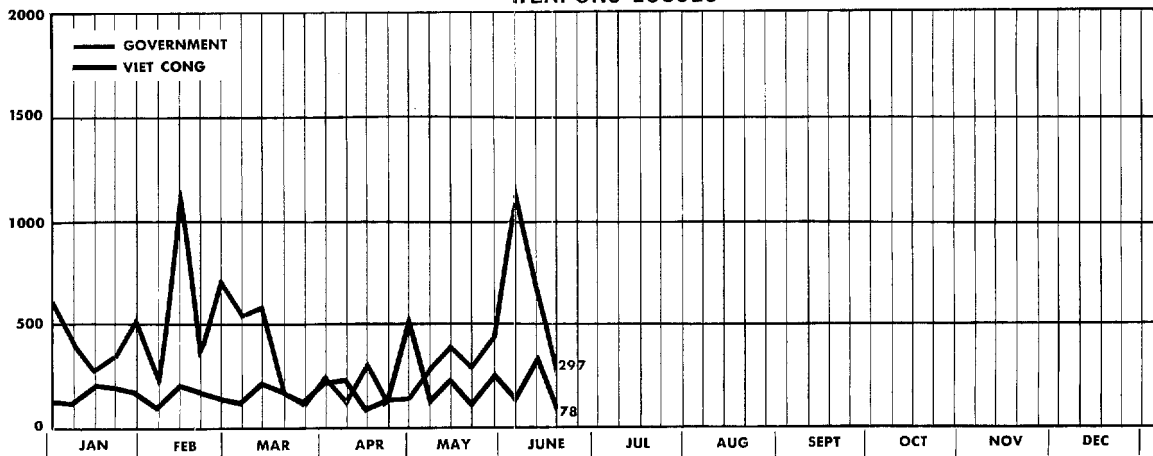
WEEKLY REPORT

PERSONNEL LOSSES (KILLED IN ACTION, MISSING IN ACTION, CAPTURED)

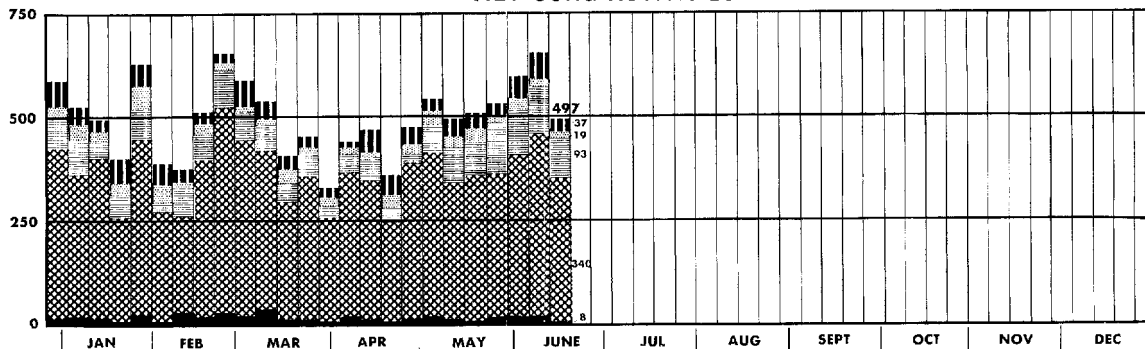


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WEAPONS LOSSES



VIET CONG ACTIVITIES



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ATTACKS
 TERRORISM
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