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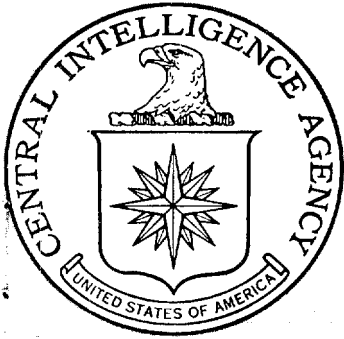


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# INTELLIGENCE REPORT

## THE SITUATION IN SOUTH VIETNAM

### DIRECTORATE OF INTELLIGENCE

State Dept. review  
completed

USAID review completed



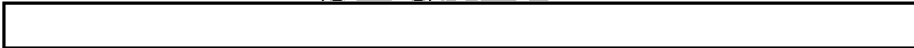
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Directorate of Intelligence

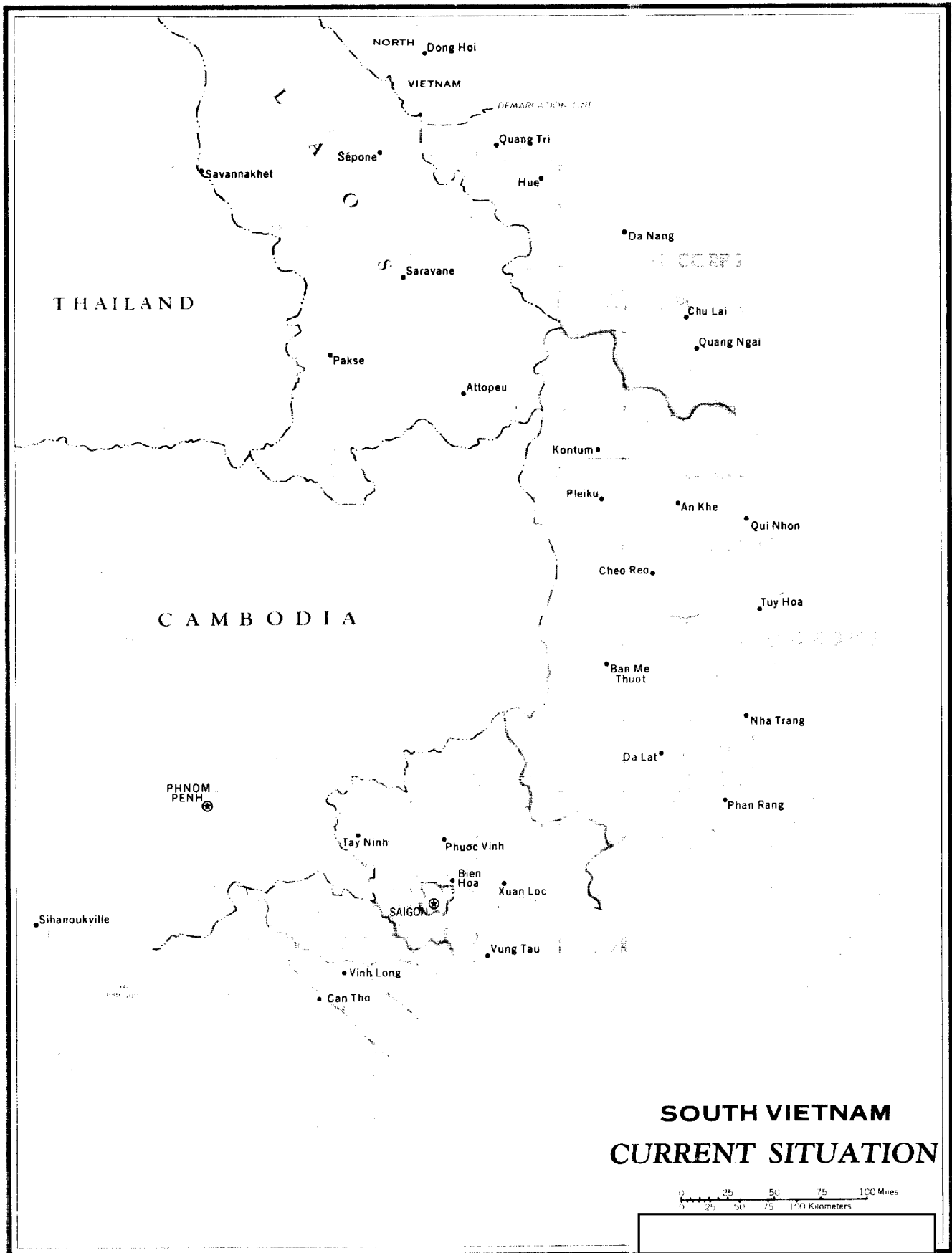
THE SITUATION IN SOUTH VIETNAM  
(15 August - 21 August 1966)

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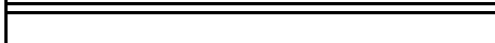


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I. POLITICAL SITUATION



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The threat of renewed antigovernment activity among the montagnards has been averted by Premier Ky's acceptance of demands for greater tribal autonomy. The Buddhist Institute, in a 16 August communiqué, stopped short of calling for an all out Buddhist boycott of the September elections, preferring to "remind" the faithful of their "right not to vote." The government continues its effort to heighten voter interest in the constitutional assembly elections, including a dramatic move to suspend press censorship during the campaign period--26 August to 10 September. Father Hoang Quynh has aligned his non-Communist "Front of All Religions" with the latest Buddhist Institute position on elections, i.e., "non-cooperation" just short of a boycott.

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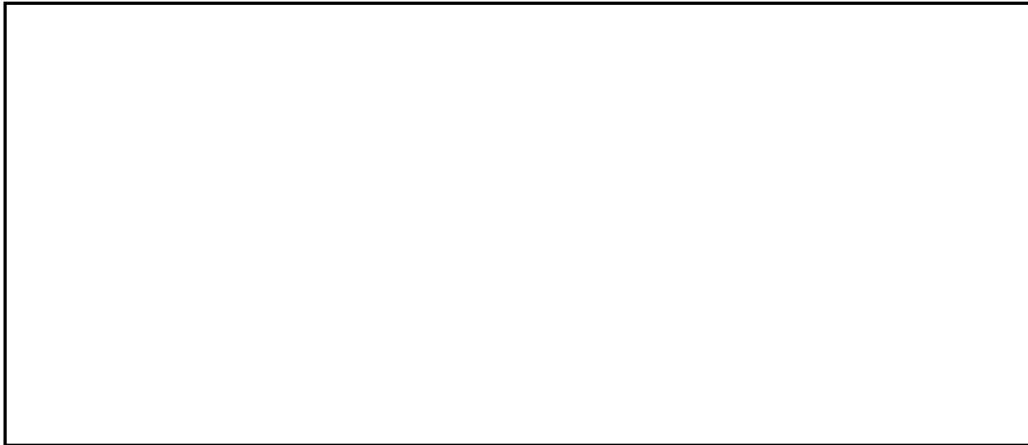
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Montagnard Affairs

3. On 18 August, Premier Ky told Ambassador Lodge that he had just signed the agreement meeting all four of the demands for greater montagnard autonomy which had been put forward by the dissident FULRO organization. Although there is still reportedly some FULRO skepticism over GVN good faith, Ky's action has apparently staved off a threatened renewal of FULRO-inspired antigovernment activity--including a threatened boycott of the elections--in the highlands. In addition, the action is leading to further discussions for a phased rallying of FULRO-controlled troops to the GVN. Ky also stated that he had given FULRO until 30 August to nominate candidates for montagnard seats in the National Constitutional Assembly, extending the 25 August deadline as requested by FULRO's negotiators.

Buddhist Institute Developments

4. The Buddhist Institute, on 16 August, issued another communiqué which came very close to being a formal call to all Buddhists to boycott the constitutional assembly elections, now just three weeks away. The communiqué was issued after a 14 August meeting presided over by Thich Tinh Khiem, the supreme monk from Hue. It reiterated the Institute's position that the present government is not competent to administer the forthcoming election and called for the formation of a "transitional" government to assume this task. Without actually calling for a formal boycott of the election by the faithful, the communiqué--signed by

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the Institute's acting chairman, Thich Thien Hoa-- reminded all Buddhists of their "right not to vote" and repeated that it was Institute policy "not to cooperate" in elections organized by the present government. It is apparent that the prestige of the aged Thich Thinh Khiem is being exploited by the militant wing of the Institute. However, even the militants have not yet dared to go so far as to break off the dialogue with the government by an unqualified call for a Buddhist boycott of the elections.

5. A visiting Japanese Buddhist leader has informed the US Embassy in Saigon that Thich Tri Quang has declined an invitation to visit Japan. The ostensible reason was that Tri Quang was too weakened by his protest fast which has been in progress since 8 June. However, Quang probably fears that, if he leaves the country, he will not be able to return. Reports about Tri Quang's physical condition continue to be conflicting.

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Election Notes

6. Preliminary analysis by the embassy of the 542 Vietnamese and Khmer candidates for the national constitutional assembly indicates that 55 active military candidates--mainly officers--will be contesting for seats. Because of provisions of the election law which are designed to prevent any single group or faction from walking off with the election, it appears that this number of military candidates will not be enough to become a blocking element in the assembly, as feared by some observers. Only 17 of the military candidates are running as individuals in single-seat districts, while the balance are on lists of candidates as required in multiple-seat districts. In several instances, entire lists are composed of military men, whereas only the head of a list is likely to stand any chance of winning in many multiple-seat constituencies.

7. The GVN continues to mount an intensive informational program in a determined effort to get the vote out in the September election. There are signs that it is beginning to stir up voter interest in the urban areas of the country, particularly in Saigon

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where interest in politics tends to run high. There are, however, scattered reports which point to continued apathy of the voters in the delta provinces.

8. One of the steps recently taken by the government to heighten voter interest was a decision to relax press censorship during the election campaign. The order is to go into effect on 26 August, the opening day of the election campaign. The suspension of press censorship will not, government officials warn, preclude legal action under existing laws which forbid the publication of inflammatory articles such as those creating dissension among political parties or ethnic groups.

#### Anti-Election Activity

9. Reports continue to come in about anti-election activity being conducted by dissident Buddhist elements as well as by the Viet Cong. Many reports deal with Viet Cong plans and intentions, rather than activities now under way. However, there have already been some reports of Viet Cong threats against candidates, as well as of voter intimidation and anti-election propaganda activity.

10. Premier Ky, in a conversation with Ambassador Lodge on 18 August, expressed some alarm that the Viet Cong would increase the tempo of terrorist activity in Saigon in order to disrupt the election. He predicted that terrorist activity might be directed at high-ranking Vietnamese and Americans, and spoke of the possibility of attacks by 100- to 200-man groups to accomplish these ends. In an effort to counter expected Communist moves, Ky said that he had ordered a more intensive security effort in Saigon, on a precinct by precinct basis, to ferret out possible terrorists.

11. Father Hoang Quynh, leader of the non-Communist "Front of All Religions," has told the press that his organization is taking a position on the elections similar to that of the 16 August Buddhist Institute communiqué (see Paragraph 4, above). Challenging the government to contest his organization's stand, Quynh was quoted as saying, "We will not go to the polls, but if we do not prevent others from voting, if we do not organize public demonstrations, how could the

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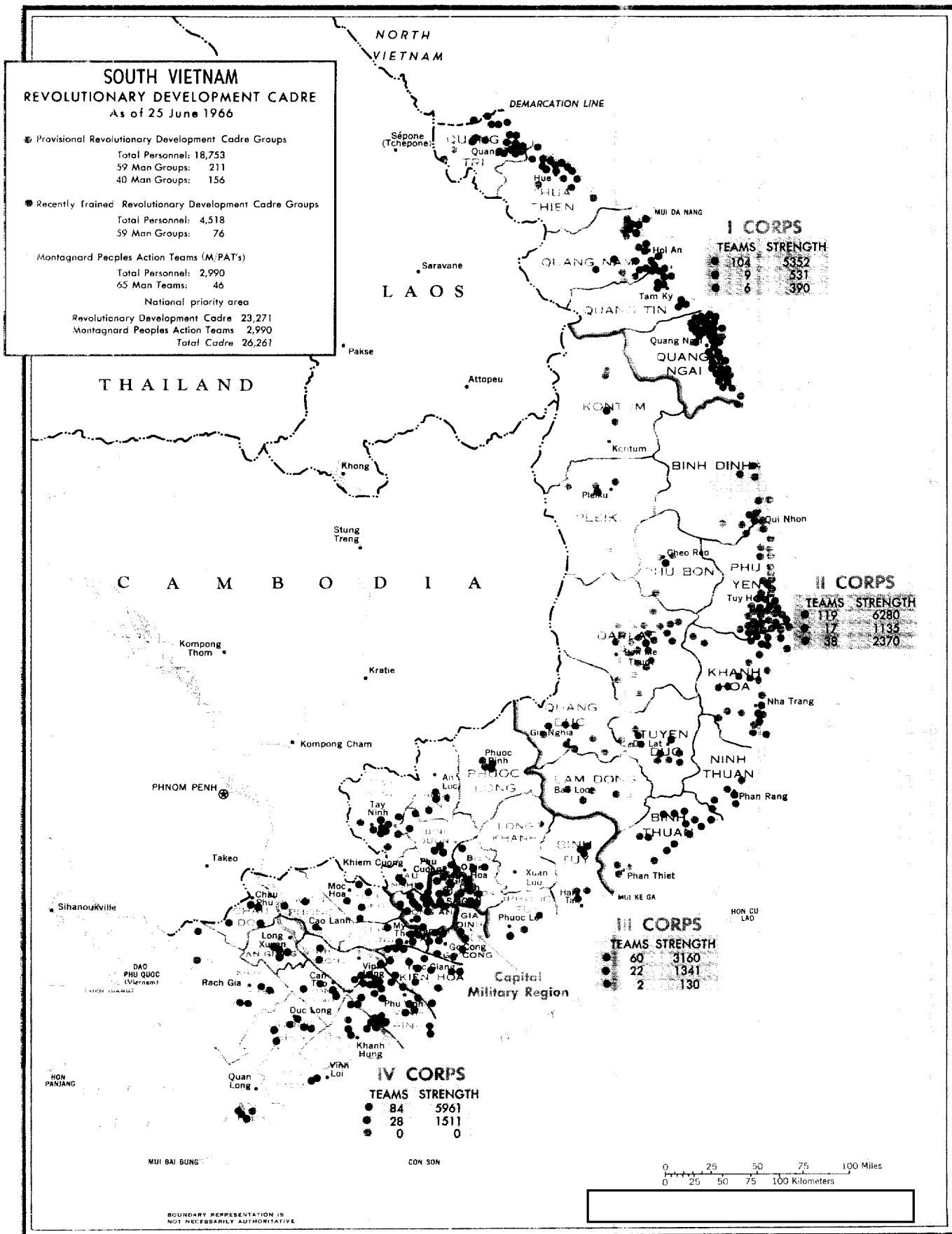
government outlaw us?" There is no indication that the government has been considering "outlawing" Father Quynh's front, although there have been recent rumors in the Saigon press that sanctions might be taken against groups of individuals opposing the elections. Quynh, according to the press, has decided to accept a reported offer by Premier Ky to debate with anyone who opposes the elections.

### Political Prisoners

12. Ky, commenting on prospects for the release of political prisoners, recently indicated to Ambassador Lodge that the problem was "complex" and was not amenable to a quick, easy solution. The political prisoners in question include those connected with the former Diem regime as well as those involved in the more recent Buddhist antigovernment "struggle" activity. Ky remarked that he had been considering the possibility of turning the whole matter over to the Peoples Army Council (the civilian and military advisory body to the government) or to a special tribunal. It is clear that Ky has not resolved the question of how to handle this extremely delicate and potentially explosive problem, and he is probably not ready to come to a decision in the near future.

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## II. REVOLUTIONARY DEVELOPMENT

A map showing the distribution of pacification cadre teams in the provinces is presented in this week's report. Premier Ky has signed decrees simplifying the distribution of land to the peasants of Tay Ninh Province. Although total Viet Cong incidents have lessened lately, the Communists continued to target against pacification projects, the latest incident being the razing of two new-life refugee hamlets only three miles from the capital of one of the northern coastal provinces. The Communist defector tally is still running at a level lower than expected. Only 254 Viet Cong rallied to the GVN during the last reporting week.

### Cadres

1. The accompanying map depicts the approximate locations of the pacification cadre groups or teams deployed in the provinces as of 25 June. Since only one class of 4,513 personnel has been graduated from the reorganized Vung Tau national cadre center, most of the pacification work, which is the mission of the cadres, is still being done by units improvised from existing Peoples Action Teams (PATs) or by technical and rural personnel recruited under various other programs. Although some problems have arisen with the new teams, it is probably still too early to make any definitive judgment of their future worth.

### Local Administration Developments

2. During a recent government-sponsored seminar, the response of provincial administrative officials to a GVN proposal to reestablish village autonomy was largely favorable. Since then, steps have apparently been taken to begin the training of selected village officials. The government's plan is to raise the level of expertise of what has been traditionally one of its weakest links with the rural populace. Six-man civil

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affairs teams within the 59-man revolutionary development cadre groups will play an integral part in the training of village and hamlet officials so that the latter can eventually play a more effective role in bridging the gap between the national government and the peasantry. On the map at the beginning of this section, each group represented by a red dot has a six-man civil affairs team attached to it.

### Land Distribution

3. Premier Ky, during a conversation with Ambassador Lodge on 18 August, disclosed that he had recently signed decrees which would simplify the distribution of land to the peasantry in Tay Ninh Province. Although the land involved is located in areas deemed to be secure, Ky said that he is in favor of extending the program into less secure sectors in the future because of the psychological effect. This encouraging action is the second instance of progress made recently in implementing joint US and GVN studies on land reform. The first project is being initiated in the An Giang Province national priority area, where a 6,000-hectare plot of land has been provided for the building of a completely self-contained community for refugees and villagers already residing there.

### Latest Viet Cong Reaction to Revolutionary Development

4. The latest acts of violence against a successful GVN pacification project underscores the increasing Communist concern over and determination to disrupt allied programs designed to satisfy the basic aspirations of civilians who are dislocated as a result of the fighting. On 16 August, the Viet Cong burned to the ground two recently completed new-life hamlets, totaling 120 homes, about three miles from the capital of Quang Ngai Province. The inhabitants were first ordered by the Viet Cong to evacuate the hamlets, leaving their food and belongings behind. USAID is providing emergency supplies and shelter for the several hundred Catholic refugees who were left homeless.

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Viet Cong Defectors (Chieu Hoi)

5. During the week ending 12 August, 254 Vietnamese Communists rallied to the GVN; 174 of them were military personnel. They were distributed by corps areas as follows:

I Corps	32
II Corps	82
III Corps	53
IV Corps	87

The weekly take of defectors during the past few months has been at a level consistently lower than that during the high period of February and March 1966. The weekly defector rate had been expected to rise in the wake of the resolved political crisis in I Corps and as a result of increased military contacts. There is no satisfactory explanation of why more Vietnamese Communists have not rallied lately.

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### III. ECONOMIC SITUATION

According to delayed information from the field, retail prices in Saigon rose three percent in the week ending 8 August, but prices of most imported commodities continued to decline. (No official information has been received as yet for the week ending 15 August; press reports indicate a decline in retail prices during this period.)

The price of gold on the Saigon free market fell to 237 piasters per dollar, the lowest price since 14 March, whereas dollars edged up to 193 piasters. By 12 August, however, gold had risen slightly and dollars declined. The recently formed Peoples-Army Council considered a report from its economic committee and submitted recommendation on economic policy to the GVN.

The Vietnamese Confederation of Labor has decided to seek the right of consultation on GVN economic and social decisions that affect the life of the worker. Meantime, the GVN National Labor Advisory Council has raised minimum wages for the Saigon area. A threatened strike of workers at the Caltex installations in Saigon has been averted by intensive negotiations among government, labor, and company officials. Recently available data show that production of rubber rose in April, but both production and exports of rubber during the first four months of 1966 were well below the levels of the corresponding period of 1965.

#### Prices

1. Saigon retail prices rose moderately in the week ending 8 August. According to the USAID retail price index, prices were three percent above the previous week. Higher prices for both food and nonfood items contributed to the rise. The price of pork bellies rose to 150 piasters per kilogram compared with 140 piasters on 1 August. In association with the rise in

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pork, the prices of fish, chicken, and shrimp also increased. Vegetable prices, on the other hand, declined, and more significantly, the prices of all three varieties of rice were lower. The over-all food index was two percent above the previous week and the nonfood index was up five percent.

2. Prices of most imported commodities continued to decline as buyers held off purchases in anticipation of a further decline in prices. The most notable declines were for those items, such as round bars and wire rods, that had led the earlier rise in the price of imported commodities. Neither retail nor imported commodity prices changed markedly for the period 8-12 August.

#### Currency and Gold

3. On 8 August, the price of gold on the Saigon free market fell 28 piasters to 237 piasters per dollar, the lowest price since 14 March. This new low was below the official sale price, which was recently lowered from 249 piasters to 242 piasters per dollar. By 12 August, the price of gold had risen to 249 piasters. Dollars, on the other hand, rose eight piasters to 193 piasters per dollar on 8 August and then fell to 188 piasters on 12 August. Although the reasons for the contradictory movements in the price of gold and dollars are not clear, it is possible that gold fell initially in conjunction with smuggling and then rose again as smuggling eased off, whereas the demand for dollars, which are used to finance the smuggling, followed this movement. On 8 August, the price of MPC (scrip) fell seven piasters to 123 piasters per dollar and was holding steady at this level as of 12 August. In Hong Kong, the piaster-dollar cross rate moved down to 181.5 piasters on 8 August. (Graphics on monthly and weekly free market gold and currency prices are included in the annex.)

#### PAC Report on the Economy

4. At its second regular session on 10 August, the Peoples-Army Council (PAC), a military-civilian advisory council formed in July to advise the cabinet on various aspects of nation building, considered a report

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from its economic committee on the present economic situation. Professor Thuc, an economist who is Dean of the Faculty of Law at Saigon University, drafted the report, which was highly critical of GVN economic policies. The report also criticized US recommendations on economic policy and noted the harmful economic effects of the American presence in South Vietnam. On 12 August, Minister of Economy Thanh appeared before the PAC to answer questions raised by the report. Thanh denied the charge that US pressure had been responsible for the GVN decision to devalue the piaster last June.

5. According to the secretary general of the economic committee, the committee felt that Thuc's proposals were a harsh indictment of the GVN and of Minister Thanh. Consequently, the committee submitted a new set of recommendations, which were approved by a plenary session of the PAC on 16 August and submitted to the GVN on the following day. The PAC report noted the steps already taken by the GVN to improve the economic situation, and expressed concern about the future of the economy. The PAC also announced its intention to discuss long-range economic policy at its September session and proposed the following immediate measures: (a) abolition of the 38-piaster surtax especially for those goods essential for daily needs and for industrialization of the country, (b) reexamination of the entire plan of supply for both civilians and military, (c) assistance to the rural population by reexamination of official prices for farm products and by improvement of means of production and distribution of these products, and (d) consultation by the GVN with the PAC before promulgating important economic and financial measures.

#### Labor Developments

6. The Vietnamese Confederation of Labor (CVT), South Vietnam's leading labor union, has decided to seek--nationally and regionally--the "right of consultation" on key economic and social decisions to be made by the GVN. CVT President Buu has explained to the US labor attache that the CVT will demand the establishment of a national economic and social council to consist of representatives from labor, management, and government. Buu plans to have a CVT delegation discuss this issue with Premier Ky.

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7. In the meantime, CVT regional congresses are pressing the issue. At a recent CVT Congress in Khang Hoa Province, some 130 delegates representing 42 unions in the province passed a resolution supporting Buu's theme that organized labor must be consulted on governmental decisions that affect the life of the worker. The same point also was made at a recent national congress of the Tenant Farmers Federation, a CVT affiliate with some 68,000 members.

8. On 10 August, the recently revived GVN National Labor Advisory Council decided to raise minimum wages for the Saigon area. The new monthly minimum wage rates are as follows: 2,000 piasters for men; 1,760 piasters for women; and 1,540 piasters for children under 18 years. These rates represent an increase of roughly 60 percent above the previous minimum rates. The CVT had asked for a monthly rate of 2,500 piasters for men, or an increase of 100 percent.

9. A threatened strike of workers at the Caltex installations in Saigon has been averted by intensive negotiations among government, labor, and company officials. In an attempt to maintain office discipline, Caltex managers had recently fired both a union and a "management" employee in the hope of demonstrating impartiality. Union bargainers, however, had threatened to call a strike to make it clear that the union employee should be reinstated. Caltex agreed to take back the two employees, the only sanctions to be imposed are warning letters and short suspensions without pay. According to the US Embassy, the current settlement is only a stopgap measure, and long-term labor peace will come about only through more fundamental changes in Caltex labor policy.

#### Rubber Production and Exports

10. Recently available data show that production of rubber in South Vietnam in April rose to 3,500 metric tons, or about the same quantity produced in the corresponding month of 1964 and 1965. In spite of this increase in April, however, production of rubber during the first four months of 1966 was about 30 percent below the level produced during January-April 1965 as shown by the following tabulation (in thousands of metric tons):

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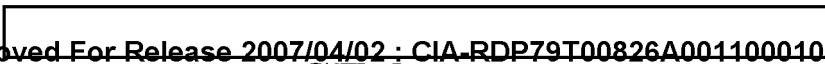


<u>January-April</u>	<u>Production</u>	<u>Exports</u>
1964	11.6	19.9
1965	12.4	23.0
1966	8.6	11.8

The 50-percent decline in exports results not only from lower production but also from difficulties in transporting the rubber to Saigon from the plantations.

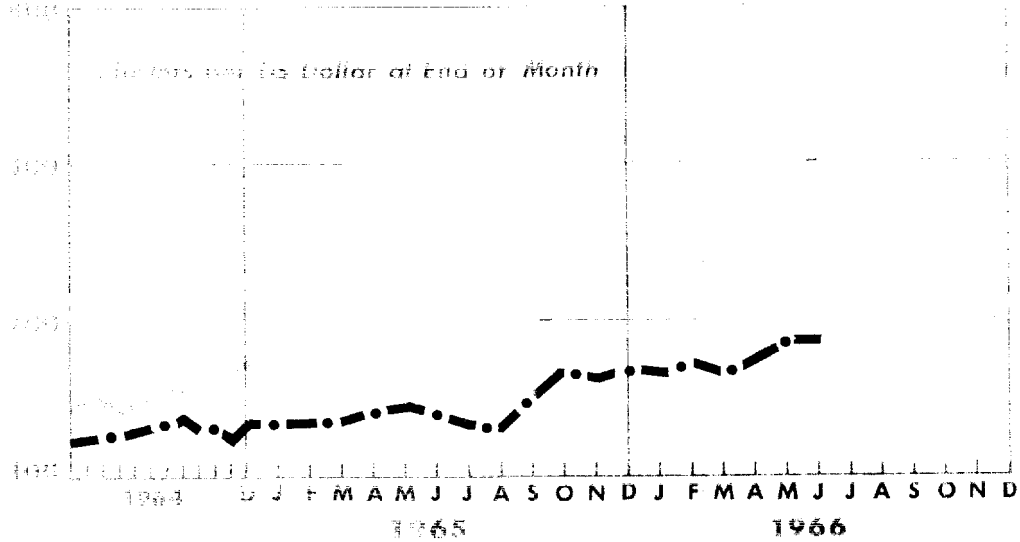
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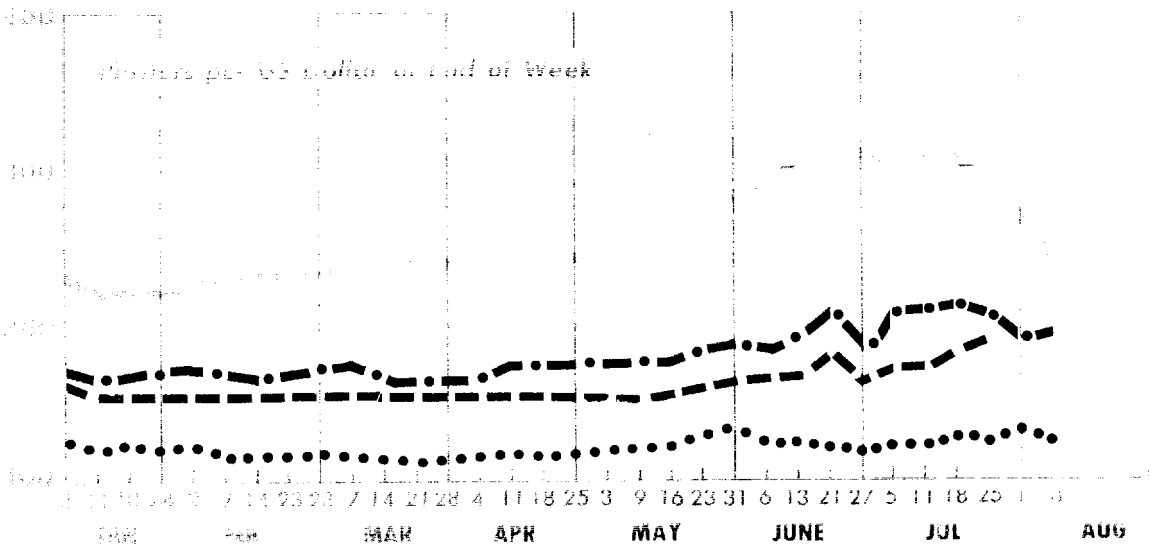


VIETNAM ECONOMIC INDICATORS

Monthly Free Market Gold and Currency Prices  
JANUARY 1964 - JUNE 1966



Weekly Free Market Gold and Currency Prices  
3 JANUARY 1966 - 8 AUGUST 1966



- GOLD (Saigon) - Piaster price per US dollar of gold calculated on the basis of gold leaf as worth \$35 per troy ounce.
- US \$10 GREEN (Saigon)
- PIASTER-DOLLAR CROSS RATE - Piaster-dollar exchange rate in Hong Kong calculated by reference to the exchange rates of these two currencies to the Hong Kong dollar.
- US \$10 MPC (Saigon) - Military Payment Certificates (scrip).

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