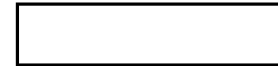


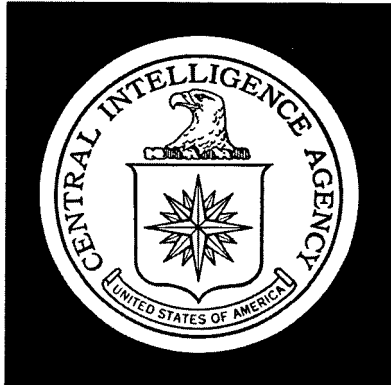
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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Situation in South Vietnam (Weekly)

State Dept. review completed

USAID review completed

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30 January 1967
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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(23 January - 29 January 1967)

C O N T E N T S

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ANNEX: Weekly Retail Prices in Saigon (table)	

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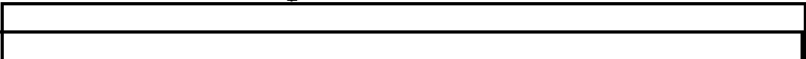
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I. POLITICAL SITUATION

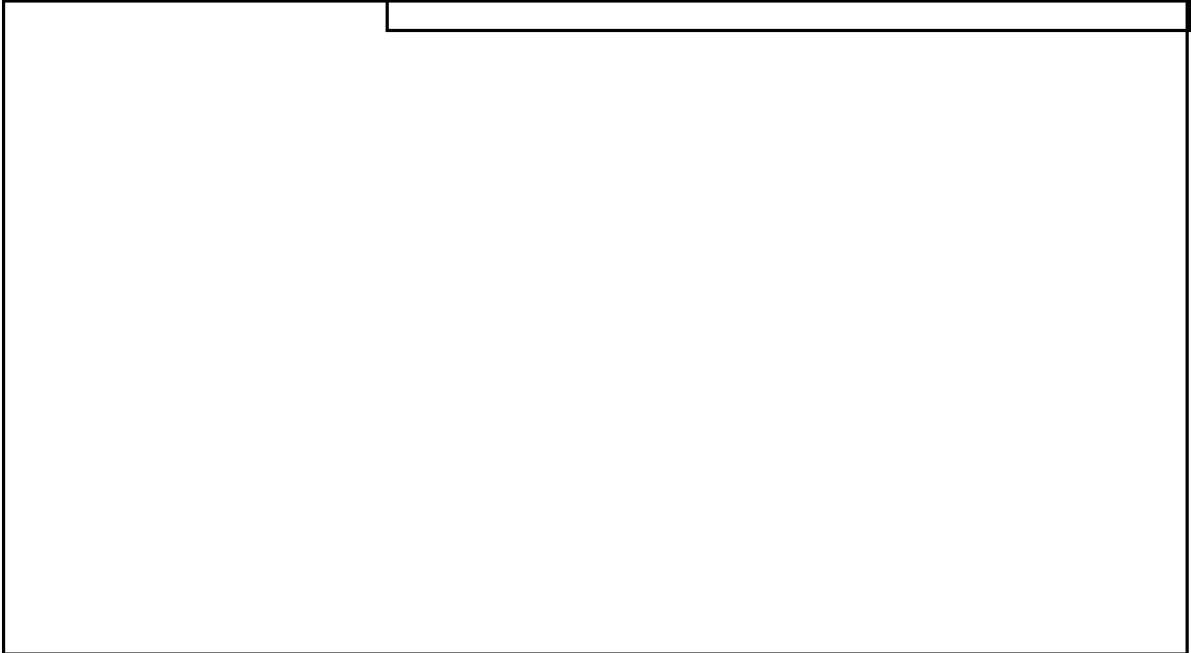
General Co's dismissal as deputy premier and defense minister, although widely known for nearly a week, has caused no significant backlash. The Constituent Assembly continued to make progress in drafting the constitution, despite indications that its relations with military leaders had hit at least a temporary snag. Meanwhile, both Premier Ky and Chief of State Thieu conducted some undeclared campaigning with an eye on forthcoming elections.

Minimal Reaction to Dismissal of General Co

1. The military leaders' private decision on 17 January to strip General Co of his duties as deputy premier and defense minister became publicly known by 25 January, but has caused no significant adverse reaction thus far.

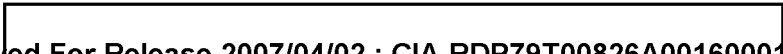


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3. After Premier Ky's return from a tour of Australia and New Zealand, the ruling Directorate met in Saigon on 27 January and decided to appoint General



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Cao Van Vien, chairman of the Joint General Staff, as defense minister. General Vien, generally known as an apolitical officer, will retain his position on the Joint General Staff. General Co's former position as deputy premier was filled by Nguyen Luu Vien in a cabinet reorganization on 29 January.

Constituent Assembly Developments

4. The Constituent Assembly continued its debate on the draft constitution without interruption last week. It has now completed its work on the constitution's second chapter entitled "Rights and Duties of Citizens." Many of the provisions in this section are rather general principles concerning individual rights, such institutional rights as freedom of religion and the press, and state welfare policies. At least some sections will require more specific definition in future legislation. Debate on the significant third chapter of the constitution, which deals with the legislative branch of the government, will begin this week.

5. Meanwhile, relations between the assembly and the government's military leaders have hit at least a temporary snag. Assembly officials have interpreted criticism of the assembly's work at a recent Saigon labor meeting and in various press articles as undue public pressure on the assembly and as having been generated by Directorate members and police director Loan. They are especially resentful of such criticism in view of their earlier agreement with the Directorate to work out differences over the constitution in private. In view of continuing progress on the draft constitution, however, US officials in Saigon believe that this resentment will not reach serious proportions, and that assembly-GVN relations will continue to be subject to fits and starts as the constitution is formulated.

Premier Ky and Chief of State Thieu Continue Their Undeclared Electioneering

6. By all accounts, Premier Ky's recent ten-day tour of Australia and New Zealand was a success. Ky favorably impressed most Australian and New Zealand officials, and received increasingly favorable

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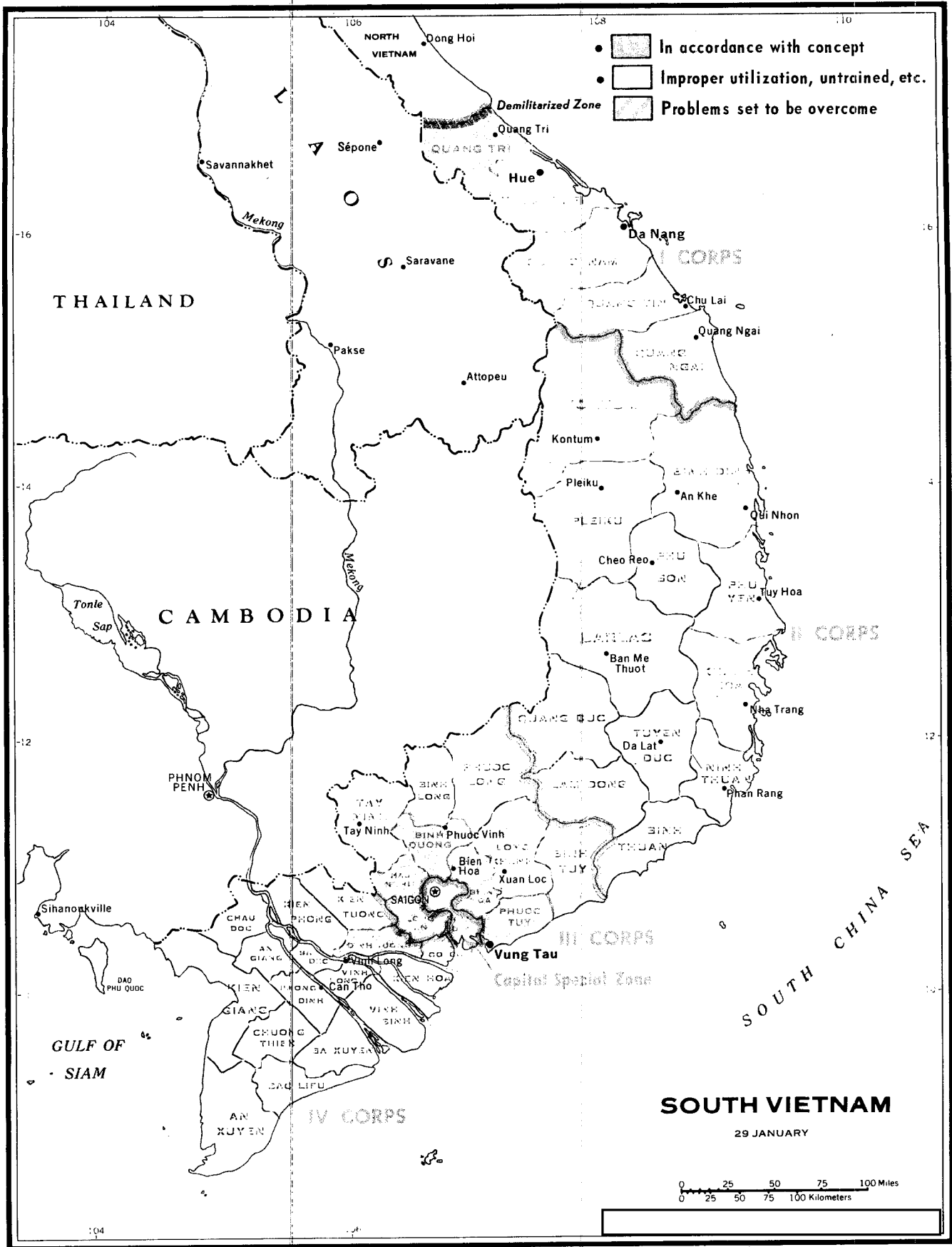
coverage from the local press, which initially had registered reservations about his tour. While Ky was enhancing his reputation, both domestically and internationally, as a representative of South Vietnam, Chief of State Thieu was on a four-day trip in the delta, visiting military installations, schools, hospitals, and pagodas. General Thieu's remarks and activities on the trip received prominent coverage in the Vietnamese press, thus balancing reports of Ky's success abroad. From these concurrent trips and from other recent actions, it is clear that both Thieu and Ky are, at least provisionally, on the presidential campaign trail.

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Approved For Release 2007/04/02 : CIA-RDP79T00826A001600010031-4
 Utilization of National Police Field Force Provincial Companies



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II. REVOLUTIONARY DEVELOPMENT

The National Police Field Forces (PFF), designed to support and defend the National Police in their duties and to assist in the security function of pacification, are suffering many growing pains, but in the light of their relative infancy and of general GVN weaknesses in administration and leadership, the PFF appear to be progressing as well as can be expected. A large-scale Cheiu Hoi program is now under way in an effort to capitalize on the upcoming Lunar New Year or Tet. Recent steps in the over-all Revolutionary Development effort include a reclassification of hamlets in accordance with newly adopted pacification criteria, completion by the provinces of 1967 RD plans, which are considered inadequate, and authorization for the formation of "People's Self Defense Forces" in Ap Doi Moi, or "real New Life Hamlets."

Status of the National Police Field Forces

1. The National Police Field Forces (NFF), a fairly recent innovation, are designed to provide an armed force to deal with insurgent groups with which the uniformed National Police (NP) lack the capability to cope. In addition, the PFF have the responsibility for security in areas cleared by ARVN and third country forces, and it has been anticipated that they will play an important role in the pacification task. In addition, the PFF can provide the basis for a national constabulary force should, in the future, the military situation deescalate, or an agreement be reached for a general reduction of standing military forces in the Southeast Asia region.

2. Prior to service in the PFF, all members must complete basic police training. PFF training, primarily para-military, is given at Da Lat and Phu Bai. Members of the PFF receive a slightly higher salary than their counterparts in the NP and higher family allowances. The law granting draft exemption to all members of the National Police expired on 1 January 1967 and has not yet been renewed.

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3. Under present plans, the PFF operate in company-size units assigned to provinces. There are also three Order Police Battalions, under control of the Director General of the National Police. Their mission is to control civil disturbances and to provide security for sensitive installations, and they normally operate in company-size units.

4. At the end of 1966, 20 provincial PFF companies and 18 companies of the Order Police Battalions were in existence, and 26 more provincial companies were in the process of being organized. In the 1967 calendar year, it is anticipated that 36 more provincial companies will be formed. Total strength of the PFF at the end of October 1966 was 5,500; during 1967 it is anticipated that an additional 10,000 men will be recruited.

5. Although the PFF concept is considered sound by US officials, this project, like all other pacification plans, requires that the Vietnamese believe in the concept and implement it accordingly. At present, however, most of the provincial companies now in place are either untrained, understrength, or improperly deployed. The lack in almost all areas of anything close to adequate facilities for the PFF and their dependents could have a critical effect on unit morale and effectiveness. The traditional animosities and rivalries between units or organizations of the GVN also appear in the National Police. In several recent instances, the uniformed National Police have made obvious their disdain for the Field Force police.

6. In an effort to alleviate improper deployment, the PFF advisory branch of the USAID's Public Safety Division started in December 1966 to furnish Brigadier General Nguyen Ngoc Loan, the National Police Director General, written reports about twice a month which point up weaknesses such as faulty deployment of provincial units.

7. In spite of the problems being encountered by the PFF and the rest of the National Police, several pacification successes to date--notable in Tiéu Can District of Phong Dinh Province, and in certain areas of Long An Province--have resulted in no small way from well-motivated, well-led, and thus effective police forces.

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Large-Scale Chieu Hoi Program Inaugurated for Tet

8. During the week of 8 January, a joint GVN-US task force initiated a program with the purpose of inducing large-scale defections from the Viet Cong during Tet, the Lunar New Year. As usual, the GVN was slow to develop its own plans, but it appears prepared to give full support to the campaign and has already directed the Vietnam Information Service to support the Ministry of Information and Chieu Hoi (MICH).

9. The scope of the 1967 campaign is nearly double the magnitude of that undertaken at Tet last year. The first phase of the 1967 campaign, from 1 January - 4 February, is directed primarily at Viet Cong-controlled areas and consists of leaflet drops and loudspeaker missions. In support of this effort, JUSPAO is printing nearly 300 million leaflets and safe conduct passes, or an average of 20 leaflets per person in the Republic of Vietnam. This first phase of the campaign will emphasize such "softening-up" themes as "the GVN is winning," "the Viet Cong offer only broken promises," "you will have a warm welcome," and "the people are right and the Viet Cong are wrong --as they were on the election."

10. The second phase, 5-9 February, will emphasize family and other emotional appeals. In the third phase, the actual Tet holidays from 10 to 13 February, propaganda will be limited to Tet greetings. In the final phase, 14-28 February, emphasis will be on explaining how to defect. Many provinces have developed their own locally-oriented material which will be distributed in their areas along with the nationally produced leaflets and pamphlets. At both the province and national levels, there will be concerted efforts to disseminate Chieu Hoi appeals by means ranging from posters to press, radio, and television.

11. In the 1967 Tet campaign, JUSPAO and MICH are concentrating on more realistic propaganda themes which have been proven to have some effectiveness with the Viet Cong, based on experience with ralliers. The most effective leaflets appear to be those presenting factual material, and telling the Viet Cong how to achieve their personal goals, how and where to rally, and providing

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surrender passes. Ralliers have indicated that propaganda which depicts the Viet Cong movement as totally cruel and evil, or which, out of ignorance, distorts conditions experienced by Viet Cong troops, tends to be ineffective.

Recent Developments in Revolutionary Development

12. In late 1966, the GVN Ministry of Revolutionary Development amplified previously published 1967 Revolutionary Development (RD) guidelines by defining the types of hamlets included in the program. In the future, all hamlets will be classified as follows:

a) Ap Doi Moi. These are the "real new life hamlets"--those which have already met or are being established under the new eleven-point pacification criteria adopted by the GVN and USMACV.

b) Ap Binh Dinh. These are pacification hamlets--those still undergoing pacification, but from which the Communist infrastructure and "corrupted elements" have been eliminated. The next step for these hamlets is to be brought under government control. It is anticipated that the pacification of this category of hamlets will be completed by Revolutionary Development Cadre teams from nearby areas where Ap Doi Moi are being established when the RD teams have the capability to do so.

c) Ap Cung Co. In this category are consolidation hamlets--hamlets which had been previously declared "secured," but no longer meet the criteria. The procedure for the completion of pacification in these hamlets will be the same as for Ap Binh Dinh.

13. The Ap Tan Sinh, or the New Life Hamlets established under the former six-point criteria, will be incorporated into whichever of the three new categories for which they qualify. In areas primarily inhabited by ethnic minorities, the construction of Ap Doi Moi will be initiated; however, the criteria will be more flexible because of the differences in cultural patterns. It is also planned that the RD Council in each Corps area will set aside a number of

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RD teams to act as a mobile force to bring selected secured hamlets under government control.

14. Almost all provincial RD plans for 1967 have been completed. For the most part, however, current provincial plans are inadequate in so far as they contain no annexes on security, police, and RD cadre. The lack of these annexes detracts from the desired goal of obtaining explicit commitments of a province's civilian and military resources in a combined program.

15. Major General Nguyen Duc Thang, Minister of Revolutionary Development and now concurrently the deputy chief of staff for Pacification and Territorial Affairs on the Joint General Staff (JGS), has now set up his office in the JGS. His new position and location should help to integrate military assets into combined resources programs, once a meaningful mosaic of RD plans has been completed.

16. On 24 December 1966, Premier Ky signed a decree which authorizes the formation of "People's Self Defense Forces" in Doi Moi hamlets. The RD cadres have been made responsible for organizing and training of these groups. All residents, regardless of sex or age, of hamlets in which Self Defense Forces are organized will be enlisted into various "cells," apparently on the basis of ability to perform such tasks as liaison, first aid, defense, etc. The goal of this program is not only to insure a 100 percent participation in the defense of the hamlet, but to link as many persons as possible to some government organization, and thus to develop some degree of identification with the government.

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III. ECONOMIC SITUATION

Retail prices in Saigon rose another three percent during the week ending 23 January as the price of rice continued to soar. An embassy survey of commodities for which demand normally increases during Tet concludes that rice gives most cause for concern. Prices of imported commodities also increased again. Although rumors of a possible devaluation are circulating in Saigon, free market gold and currency rates continue to hold steady. Regional price indexes for the period 31 October - 15 December show that prices in most provinces continue to be well above those in Saigon, but the degree by which the two sets of prices vary continues to narrow. ARVN Major Chu has replaced General Lan as director of the port of Saigon.

Prices

1. Retail prices in Saigon rose another three percent during the week ending 23 January. According to the USAID retail price index, which is now at a new high, prices are more than 40 percent above the level prevailing just prior to the June devaluation and about 12 percent above the price level at the time of the initial post-devaluation increases. Higher prices during the week ending 23 January were caused partly by increased consumer demand for such holiday foods as chicken, shrimp, and condensed milk. In addition, the price of rice increased for the fourth consecutive week. The price of the type of rice used by the working class reached a new high of 2,000 piasters per 100 kilograms, or about 20 percent above the price of a month ago and 120 percent above the price prevailing at this time last year. As a result of GVN relaxation of the system of rationing officially priced pork to retailers, the price of pork bellies rose to 150 piasters per kilogram on 23 January, compared with 130 piasters during the previous three weeks. With the vegetable harvest season now at its peak, prices of vegetables were generally steady or slightly lower. Although charcoal

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and firewood rose slightly, the prices of most non-food items held steady. (A table of weekly retail prices in Saigon is included in the Annex).

2. Prices of imported commodities continued to rise for the seventh consecutive week. Based on the USAID price index for selected US-financed imports, prices of imported goods on 24 January were about two percent above the previous week and 17 percent above the levels of mid-December when the steady increase in prices of these commodities began. The most notable increases during the week ending 24 January were recorded by iron and steel products, rayon yarn and hydrochloric acid. Prices of most other imported goods were generally steady or only slightly higher.

Currency and Gold

3. Free market currency and gold rates continue to hold steady. On 23 January the prices of dollars and MPC (scrip) were unchanged at 175 and 115 piasters per dollar, respectively. Gold fell one piaster to 225 piasters per dollar.

Regional Prices

4. Retail price indexes for the four administrative regions of South Vietnam suggest that, with the exception of Region IV, regional prices continued to be well above those of Saigon during the period 31 October - 15 December. These indexes, which are based on somewhat incomplete reporting from the provinces, show that prices in Regions I-III were, on the average, roughly 15 percent above those of Saigon. Prices in Region I were the highest--about 22 percent above Saigon prices. In Region IV, however, retail prices were seven percent below those in Saigon during the period under review.

5. In spite of these higher regional prices, the indexes show that the gap between prices in Saigon and the provinces continues to narrow--a trend apparent since the end of June when computation of regional price indexes was first undertaken. Between 31 October and 15 December, regional prices increased by an average of three percent compared with an eight percent increase in Saigon prices. During the period since 30 June, regional prices have increased by an average of seven percent, whereas Saigon prices have risen 25 percent.

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Commodity Situation and Tet

6. Among those commodities for which demand normally increases during Tet (8-15 February), rice gives the most cause for concern. Rice prices continue to rise as stocks remain at low levels and it seems clear that the price of this commodity will continue to rise into the holiday season. Nevertheless, unless there is great slippage in currently scheduled import arrivals, the US Embassy does not foresee an absolute shortage of rice or runaway prices during the next few weeks. If the GVN does not quickly arrange to import rice, however, a serious shortage will exist just after Tet with the result that the normal post-Tet decline in rice prices will not occur. To date, US prodding on rice imports has proved fruitless. Secretary of State for Commerce An feels that rice from Taiwan or the US would be too expensive and, for some unknown reason, he has not displayed much interest in Thai rice. The US Embassy has concluded that the GVN believes it will be rescued by the US if the rice situation reaches the brink of catastrophe.

7. Although the pork situation is unclear at the present time, it tentatively appears that Tet can be weathered without abnormal pork shortages and price increases. The frozen pork recently ordered from Argentina will definitely not arrive in time for Tet. As a substitute, the GVN has ordered from Japan about 150 tons of frozen chicken which should arrive in Saigon by 31 January. Moreover, during the 11 days preceding 23 January arrivals of hogs from the delta were relatively high. A major unknown factor, however, is the effect of the recent GVN relaxation of official price controls on pork. The immediate reaction to this move was a 15-percent increase in the price of pork bellies. Other key holiday commodities include flour, milk and sugar. Stocks of these appear to be adequate.

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Rumors of Devaluation

8. During the past three or four weeks, rumors of a possible devaluation of the piaster have spread in Saigon. It is being said that the piaster will be devalued to either 150 or 170 piasters per dollar in late January or at the end of February. The current official rate is 118 piasters per dollar and the black market rate hovers around 185 piasters per dollar. These rumors have gained some credence in commercial circles, but not among the more sophisticated banking community. Although the origin of the rumors is uncertain, they could be related to the recent sharp increase in the price of rice or to the current consultations in Washington between Governor Hanh of the National Bank of Vietnam and officials of the International Monetary Fund.

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[REDACTED]

[REDACTED] US officials in Saigon have informed the press that there is no possibility of a devaluation in the foreseeable future and have pointed out that it would be foolish for the US to request or the GVN to undertake such a devaluation.

New Saigon Port Director

9. On 20 January, ARVN Major Chu replaced General Lan as director of the port of Saigon. Chu joined the port staff about two months ago as Lan's deputy. Although Lan, who was named port director last July, has indicated that he had expected to be replaced, the full implications of the change are not yet known. Premier Ky has assigned over-all responsibility for all of South Vietnam's ports to the Ministry of Transport and Communications which is headed by Truong Van Thuan to whom Chu will report. Thuan also has been named chairman of the board of Air Vietnam.

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TABLE

Weekly Retail Prices in Saigon a/

	13 June 1966	27 Dec. 1966	3 Jan. 1967	9 Jan. 1967	16 Jan. 1967	23 Jan. 1967
Index for All Items b/	<u>173</u>	<u>216</u>	<u>225</u>	<u>232</u>	<u>239</u>	<u>247</u>
Index for Food Items b/	<u>190</u>	<u>226</u>	<u>242</u>	<u>247</u> c/	<u>257</u> c/	<u>268</u> c/
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.)	1,250	1,650	1,700	1,850	1,900	2,000
Pork Bellies (1 kg.)	90	100	130	130	130	150
Fish-Ca Tre (1 kg.)	130	130	150	150	160	160
Nuoc Mam (jar)	70	90	90	90	120	120
Index for Non-Food Items b/	<u>140</u>	<u>198</u>	<u>195</u>	<u>204</u> c/	<u>204</u> c/	<u>204</u> c/
Of Which: (In Piasters)						
Charcoal (60 kg.)	460	640	640	700	700	710
Cigarettes (pack)	10	14	14	14	14	14
White Calico (meter)	27	35	33	33	32	31
Electricity (kwh)	4.2	5.2	5.2	5.2	5.2	5.2

a. Data are from USAID sources.

b. Revised and expanded USAID indexes. (1 January 1965 = 100).

c. Preliminary.

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