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DIRECTORATE OF  
INTELLIGENCE

## Intelligence Report

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

State Dept. review  
completed

USAID review  
completed

ARMY review(s)  
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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM  
(6 - 12 February 1967)

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I. POLITICAL SITUATION

Official government business ground to a halt for celebration of the Lunar New Year (Tet) from 8 to 12 February. There were nearly 150 Communist-initiated major violations of the Tet cease-fire in which casualties were inflicted, large units were involved, or a large volume of weapons fire was exchanged. None of the incidents, however, was considered as serious as those during the two 48-hour military standdowns over Christmas and New Year's.

The South Vietnamese military establishment upgraded some of its key officers as part of a continuing drive to make it function more efficiently, to rid itself of corrupt officers, and to assign important positions to officers responsive to the northern-oriented leaders.

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The new defense minister is General Cao Van Vien, concurrently chairman of the Joint General Staff.

The Constituent Assembly concluded debate on the first 35 articles of the draft constitution before recessing for ten days to celebrate Tet. The assembly will have slightly more than one month to finish the document when it reconvenes on 14 February.

Tet Cease-Fire Violations

1. A total of 346 Communist-initiated incidents were reported during the 96-hour Lunar New Year (Tet) cease-fire from 8 to 12 February. Of these, 147 were considered major violations of the cease-fire--that is, involving casualties, large units, or a heavy

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volume of weapons fire. According to the preliminary MACV assessment, 17 US and 10 South Vietnamese soldiers were killed, while the Communist losses were placed at 116.

2. At least two thirds of the enemy-initiated actions were directed against US forces; most were triggered by friendly reconnaissance patrolling of defense perimeters. Significantly, there were no serious incidents such as the massing of nearly 1,000 Communist troops near US Marine positions in Hue during the New Year truce. GVN and Viet Cong forces appear to have deliberately avoided each other during the four-day standdown.

#### Armed Forces Council Meets in Saigon

3. The Armed Forces Council--which includes all general officers and division commanders, and is the theoretical seat of government power--met in Saigon on 4 February. Premier Ky told Ambassador Lodge that both he and Chief of State Thieu talked to the council about the importance of improving the quality of the ARVN in relation to the "Revolutionary Development" program, and that they also reported on progress in drafting a constitution. Ky denied rumors that the council had agreed upon a military candidate for president, or that it discussed regulations for national elections later this year.

4. During its afternoon meeting, the council decided upon promotions for three generals. Cao Van Vien, concurrently minister of defense and chairman of the Joint General Staff, was promoted to four-star general, thus becoming the ARVN's highest ranking officer on active duty. Nguyen Van Manh, who has been IV Corps commander since November, was promoted to major general, and a division commander in I Corps was named a brigadier general. US Embassy officials are inclined to view these promotions as a simple upgrading of rank to fit the job being occupied. Both Premier Ky and Chief of State Thieu have spurned promotions while they have occupied their political positions, although Thieu's position was automatically raised under a general reclassification of rank in 1965 to correspond with US designations.

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Co's Supporters Reportedly Released

6. The estimated 35-50 military personnel who were taken into custody following the ouster of General Co have reportedly been released by the national police, with the exception of one of his closest associates.

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about half of the detainees have been discharged from the military service and that some of them will be prosecuted for corruption.

Constituent Assembly Activities

7. The Constituent Assembly continued its debate of the legislative portion of the constitution through its 3 February session, after which it adjourned until 14 February to celebrate the Lunar New Year. During the meeting on the 3rd, the deputies inconclusively discussed part of Article 36, having already approved the draft constitution's first 35 articles, with some changes in the final wording of several of them. Debate on the more controversial sections of the draft dealing with the powers of the future legislature was postponed until after Tet. When the assembly reconvenes, it will have slightly over one month in which to complete its final version of the constitution for submission to the Chief of State.

8. On 2 February, the Constituent Assembly approved various constitutional provisions dealing with requirements to be met by candidates for the upper house of the legislature, the filling of vacancies in

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the upper and lower houses, and the immunity to prosecution or arrest for members of both houses during their terms. The only controversial issue to arise was whether there should be a separate electoral law for ethnic minority candidates for the upper house, whose membership is elected at large. The assembly resolved the issue by adopting an article stipulating that procedures and conditions for the election of candidates, including minority representatives, for both houses would be prescribed by law.

#### Directorate - Assembly Discussions

9. There are indications that consultations between the government and the assembly are moving ahead under favorable circumstances. General Pham Xuan Chieu, secretary general of the Directorate, told US officials on 3 February that he was pleased with the "reasonable" attitude now displayed by assembly deputies in ironing out an acceptable draft. Chieu asserted that the first draft was replete with internal contradictions and "impracticalities" which reflected the emotional state of the "immature" deputies. He claimed that the military fully appreciated that diplomatic skill and forbearance were at a premium in working with the deputies so that they do not feel that they are being pressured into accepting changes in the draft against their will.

10. Tran Van An, a civilian member of the ruling Directorate, told US officials on 2 February that the Directorate and the Constituent Assembly have agreed that the legislature will have the authority to "recommend" to the president that the prime minister or individual cabinet ministers be dismissed, but will not have the power to adopt a binding vote of no confidence against the government. Such a "compromise" presumably will assuage the military's worst fears concerning legislative control over the executive branch of government. It is not entirely clear, however, how this new "agreement" differs from the wording in the first draft constitution, which--if correctly translated--stipulates that the legislature only has the authority to "propose" the dismissal of individual ministers or the entire cabinet.

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### Catholics and the Presidential Elections

11. The Catholic community intends to play an active role in the upcoming presidential elections but, at this juncture, it is not united on a candidate, according to a recent assessment by the US Embassy.

12. Southern Catholic spokesmen have told US officials that they are currently backing former premier Tran Van Huong for the presidency. Huong's reputation for honesty and his strong stand against the Buddhists during his short tenure as premier are apparently the basis for his strength among southern Catholics. Northern Catholic elements, however, are divided between Huong and Premier Ky. One leading northern Catholic politician, who heads the well-organized Greater Solidarity Forces political grouping, has told US officials that he has had several meetings with Ky in recent weeks and has urged him to organize a "political machine" for the elections.

13. Other potential candidates are not receiving much consideration from the Catholic leadership. Phan Khac Suu has apparently been ruled out because of his age and strong opposition to the former Diem government, and Chief of State Thieu is receiving little attention because of the uncertainty of his candidacy and what is believed to be his lack of interest in establishing close ties to the Catholic hierarchy.

### Release of Prisoners

14. South Vietnam on 3 February transported 28 North Vietnamese prisoners of war and two Viet Cong prisoners to the Ben Hai River bridge between North and South Vietnam for release to North Vietnamese authorities. The two Viet Cong prisoners declined at the last minute to depart, and were accepted by GVN officials as Chieu Hoi ralliers. The 28 North Vietnamese crossed the bridge, and were met and taken off in trucks by local police. A similar release of North Vietnamese prisoners by the GVN in connection with the Tet holidays occurred last year. Hanoi on 2 February had denounced the "repatriation" as a "hoax" and said that the "compatriots" will be allowed to choose whether they will stay in the North or return to the South.

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15. On 8 February, 19 South Vietnamese prisoners were reportedly released by the Viet Cong in Kien Giang Province, possibly as a local good-will gesture. There was some indication that the prisoners were expected to return to their captors after celebrating Tet.

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## II. REVOLUTIONARY DEVELOPMENT

In Dinh Tuong Province the past year has been a period of training, planning, and consolidation in Revolutionary Development. Many problems are impeding progress, and the 1967 plans do not offer prospects for substantial success there in the near future.

In all programs concerned with RD, the US/Third Country presence is seen and felt most in the field of public health. Although there have been some significant achievements in this field, progress is slow due to the lack of trained Vietnamese and the burdens placed on US resources.

The Chieu Hoi report for 29 January - 4 February will not be available until 13 February, when the GVN ministry resumes normal business after the Lunar New Year (Tet) holidays.

### Revolutionary Development in Dinh Tuong

1. The Revolutionary Development (RD) program and the security situation in Dinh Tuong Province has undergone little change in recent months. Given the military situation, GVN forces--especially the RF/PF--have done well in holding their own. For the Revolutionary Development program, it has been a period of training, planning, and consolidation.

2. The 1966 pacification plan called for no major expansion of activities but for consolidation of 40 existing hamlets and the construction of 25 new life hamlets. The latter were to be established along fairly secure lines of communication or in southwest Chau Thanh District near My Tho, the provincial capital.

3. In March 1966, there were six 59-man Revolutionary Development (RD) teams in Dinh Tuong and two additional teams slated for the area in training

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at Vung Tau. The six in-province teams had been hurriedly formed by combining 40-man Armed Propaganda/Political Action (APA/PAT) teams trained at Vung Tau under an earlier program with untrained 19-man civic action cadre groups drawn from various other GVN programs. The performance of these combined teams was spotty. District officials claimed that the teams were apathetic and unwilling to work effectively; although they were able to recite what their mission was, they seldom had any idea how to carry it out. Friction frequently developed between these cadre teams and village or hamlet officials. By September 1966, however, the two 59-man teams training in March were in place, and two other combined teams plus the four remaining 19-man teams had received training at Vung Tau and had been returned to Dinh Tuong. This gave the province eight 59-man trained teams.

4. During the period October-December 1966, in line with a nation-wide program, the RD teams in Dinh Tuong were brought to the provincial capital for briefings on the 1967 RD program and for reorganization of the 19-man specialist portions. The specialist teams now consist of two squads rather than three. Under the Group Leader, there are two Assistant Group Leaders--one for Militia (Security) and one for Reconstruction. The latter has under him a Civic Action Chief responsible for Census Grievance and Administration, and a Development Chief in charge of other specialists in farmers cooperatives, etc. This organization is now found in all 59-man RD teams throughout the Republic of Vietnam. As of late December 1966, only two RD teams in Dinh Tuong were at work in the field; the others were still in My Tho for training and reorganization.

5. General Thanh, ex-chief of Go Cong Province and present commander of the 7th Division in My Tho, is generally assessed by US personnel as one of the more apolitical ARVN generals in the Delta. Although the 7th ARVN Division has traditionally been one of the GVN's most aggressive, its offensive activities have been almost nil since General Thanh has taken command. In early 1966, General Thanh withdrew a battalion, supposedly engaged

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in pacification, from Ba Dua Village, Co Lay District, Dinh Tuong. His reason, which appears valid, was that the battalion was not accomplishing anything. The negative attitude of the 7th Division is reflected in the fact that in the last eight months only one ARVN battalion--the 32nd Ranger Bn--has requested USAID to supply commodities for civic action projects. Under the 1967 RD plans, five of the 14 maneuver battalions of the 7th Division will be detached and placed under the operation control of the chiefs of the four provinces within the Division Tactical Area. Dinh Tuong Province will again receive a battalion.

6. The Dinh Tuong Province Chief, Lieutenant Colonel Phuoc, remains skeptical that the ARVN battalion assigned to the province will contribute much to the RD program. He believes it will probably have to be used on conventional "search and destroy" operations against at least three Viet Cong main force/provincial battalions and five VC district companies operating in the province. Colonel Phuoc has expressed the hope that he will have operational control of one battalion for an extended period of time rather than of different rotating battalions. If this could be the case, provincial officials could take advantage of the opportunity to indoctrinate the troops on Civic Action and "getting along" with the people. Colonel Phuoc and his competent Deputy for Administration, Mr. Hoi, have continuously supported the RD program. In spite of the fact that Colonel Phuoc has been a close associate of General Thanh during their military careers, General Thanh has reportedly asked for his transfer and appears not to want Phuoc to remain in his position longer than the normal 18 month tour of duty.

7. The province chief, as of March 1966, had 15 RF companies and 5,000 PF soldiers who could be used in the RD programs. The province has requested an additional three RF companies and 432 PF soldiers for the 1967 RD program, but because of the nationwide freeze on RF/PF expansion initiated for budgetary reasons, the province will not receive them. It is widely believed in Dinh Tuong that this unwelcome freeze was instituted at American insistence.

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8. The 1967 provincial plan for RD originally proposed a relatively wide dispersion of the RD cadre teams, which are to be increased to 10 this year. However, General Thang, the Minister for Revolutionary Development, opted for a concentration of the teams in smaller areas. Seven of the 10 teams will be concentrated in an area adjacent to the US 9th Division base site at Dong Tam near My Tho in Chau Thanh District, one will go to Ben Tranh District to the north, and one each to Cho Gao District to the east and to Cai Be District to the west. The location of the majority of the RD teams in Chau Thanh district places them too near the city of My Tho and under a very weak District Chief, from whom little can be expected in the way of leadership. In sum, prospects do not appear entirely favorable for substantial RD progress in the near future.

#### Public Health in Vietnam

9. Of all the developmental programs underway in the Republic of Vietnam, the American/Third Country presence is most seen and felt in the public health sphere. Foreign "omnipotence" in this field is due to the almost complete absence of qualified Vietnamese, the larger number of sick and injured generated by wartime conditions, and the different attitudes towards patient care in eastern and western cultures. The US Agency for International Development (USAID) is maintaining pressure upon the GVN Ministry of Health to make its programs and supply system responsive to nation-wide demands.

10. The Republic of South Vietnam has only about 1,000 qualified medical doctors for an estimated 16.5 million people. Approximately 70 percent of medical doctors are in the GVN armed forces. Only 160 doctors are on the rolls of the Ministry of Health (MOH) and available for public medical treatment; the majority of these are engaged in hospital administration and not patient care. Country there are approximately 3,000 nurses and 12,000 civilian para-medical personnel--corpsmen, orderlies, etc. Over the last 18 months, the number of employees of the Ministry of Health has dropped from 16,000 to 8,000. This decrease has been due to the low salaries paid to employees and the availability of employment in fields other than health.

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11. At present, 30 countries contribute some form of medical aid to the GVN. Of these 30, nine countries have supplied 15 medical teams to work with the United States in the Provincial Health Assistance Program. Three additional countries-- Germany, Canada, France--have medical teams operating independently of this program. Denmark may contribute a medical team to replace the French team in Da Lat when the latter's agreement with the GVN expires in the summer of 1967.

12. The US has 21 Military Public Health Assistance Teams (MILPHAP) and four specialist teams (2 civilian, 2 military) working in the provinces. Under ideal conditions, if a specialist team (surgical) is located at the main provincial hospital, a MILPHAP team will operate out of district clinic or as a mobile clinic in the countryside treating patients on the scene or serving as a referral agency to the provincial hospital. The 16-man MILPHAP team will often divide into smaller teams for field clinic activity. However, less than half of the MILPHAP teams are operating according to concept, either because of the absence of surgical teams or because of lack of initiative by the team leadership. Younger medical officers, oriented toward a hospital environment rather than toward public health, preventive medicine or assistance programs, have been unable to utilize the MILPHAP unit effectively. Due to major shortages of enlisted team members, activities in some provinces such as Bac Lieu and Quang Ngai are almost at a standstill.

13. Major hospitals in Saigon and the provinces now operate on a 24-hour basis thanks to staffing by US personnel including doctors and 62 civilian nurses. No provincial team or hospital has ever been reported attacked by the Viet Cong; the Viet Cong know they will receive the same treatment as other patients at the hospitals.

14. In the provinces, ten provincial hospitals have been renovated and approximately 80 percent of the GVN secure areas are now free of serious malaria problems. The eight hospitals and 24 health

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facilities in Saigon, although functioning, are almost all in need of improvement in their physical plant to enable them to provide better patient care. The best staffed, equipped, and most under-worked hospitals are those belonging to the military. The GVN hospitals, were they to provide care for soldiers' dependents, could relieve some of the civilian hospital workload and doubtlessly increase military morale.

15. In an effort to offset the indigenous shortage of medical personnel, several nations have offered scholastic aid to enable Vietnamese to study abroad. In many clinics and specialized treatment centers in Vietnam, on-the-job-training for Vietnamese is being attempted. In November 1966, a new medical school with a capacity of 1,200 students was opened in Saigon; enrollment at this school now stands at 1,000. On 9 January the Director of Public Health approved the nation-wide Public Health Service Program which will emphasize the integration of Public Health nursing activities with rural health activities and insure that public health nurses receive field experience to better acquaint them with techniques and practical application.

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### III. ECONOMIC SITUATION

Price data for the week ending 6 February have not yet been received. MACV reports that its program to reduce military piaster spending during the last half of 1966 was successful. Recently available information indicates that wages continued to be relatively stable during December. Vietnamese workers and unions are becoming increasingly sensitive about the employment of third-country nationals. Imports of machinery and equipment for industrial development declined during the last half of 1966, primarily because of the June devaluation that doubled the piaster cost of these imports. The US Embassy reports that some progress is being made in relieving congestion at the Saigon port and that in any event a US take-over of the port is politically impossible at this time.

#### Reduction in Military Piaster Spending

1. The Military Assistance Command Vietnam (MACV) recently reported that its program to reduce military piaster spending during the last half of 1966 was successful. Piaster expenditures during this six-month period totaled 17.6 billion piasters, or 0.4 billion below the ceiling of 18.0 billion. Moreover, this reduction in spending was made during a period when prices were generally rising and troop strength was increased. Among the measures adopted by MACV to curtail both personal and official piaster spending were additional on-post recreational facilities, expanded out-of-country rest and recreation programs, establishment of a new savings program, adoption of austere construction designs, and limitation of in-country commodity purchases. MACV currently estimates that during the first half of 1967 it will be able to hold military piaster spending to 21.5 billion piasters, which is in line with the 42-billion-piaster ceiling adopted by the Department of Defense for CY 1967.

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### Labor Situation

2. Recently available information indicates that wages continued to be relatively stable during the month of December. Although there was an abundance of unskilled workers in several areas, skilled labor remained scarce in most provinces. Some progress was made in the employment of refugees and Chieu Hoi returnees. In Region III, rubber plantations have started recruiting refugees and in Region II a military unit has employed Chieu Hoi returnees to meet a need for skilled masons and carpenters.

3. In spite of this progress, however, an estimated 10,000 of the 1966 returnees still are unemployed and an additional 30,000 are expected to come over to the GVN in 1967. Moreover, several thousand refugees still are without jobs and about 8,800 ARVN members will enter the job market in 1967 as they are released from the service. The US labor attaché reports that because of the unemployment within these groups, the employment of third-country nationals (TCNs) is becoming an increasingly sensitive political issue among both Vietnamese workers and unions. A few recent incidents, such as the stoning of Philippine barge workers at Nha Trang, illustrate this growing sensitivity.

4. The US policy on this issue is that TCNs are hired only with the approval of the GVN to fill jobs for which Vietnamese workers are unavailable. Because this policy is not well known or uniformly applied, the US Mission has issued a new statement of policy to the GVN minister of labor for release by his office. This statement reaffirms that Vietnamese workers have first claim on jobs created by the US presence and that TCNs will be hired according to the laws of the GVN only to fill jobs for which qualified Vietnamese workers are unavailable. In addition, those US agencies and contractors who hire TCNs should have programs to train Vietnamese for the jobs being held by the TCNs.

### Industrial Development

5. USAID approvals for the procurement and importation of industrial equipment for new ventures,

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replacements, and expansion of existing plants in South Vietnam amounted to \$13.8 million during CY 1966, or about the same level as in 1965. For purposes of comparison, USAID approvals for this type of equipment totaled \$9.8 million in 1962 and \$4.7 million in 1963 and 1964. An analysis of the 1966 figures on a monthly basis shows a considerable slowdown in applications during the second half of the year--\$4.7 million versus \$9.1 million during the first six months. This slowdown was primarily a result of the June devaluation, which required two piasters for each one previously spent. USAID reports that this trend probably will continue because of the increased working capital requirements that result from the higher piaster cost of raw materials and equipment. In addition, difficulties encountered by importers in raising funds to clear their goods from the ports result in delayed deliveries to end-users and contribute to the cautious attitude of entrepreneurs toward making further commitments to purchase capital equipment.

#### Saigon Port

6. The US Embassy reports that some progress is being made in relieving congestion at the Saigon port and that it is neither politically possible nor desirable for the US to take over the port. Total discharge through the port in January amounted to 456,000 tons, of which about 224,000 tons consisted of commercial cargo. These discharge figures are 12.5 and 10.6 percent, respectively, above those of any previous month for which the embassy has records.

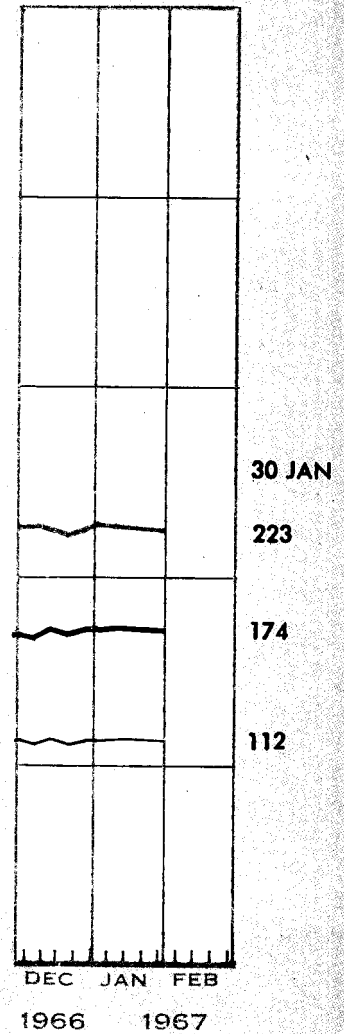
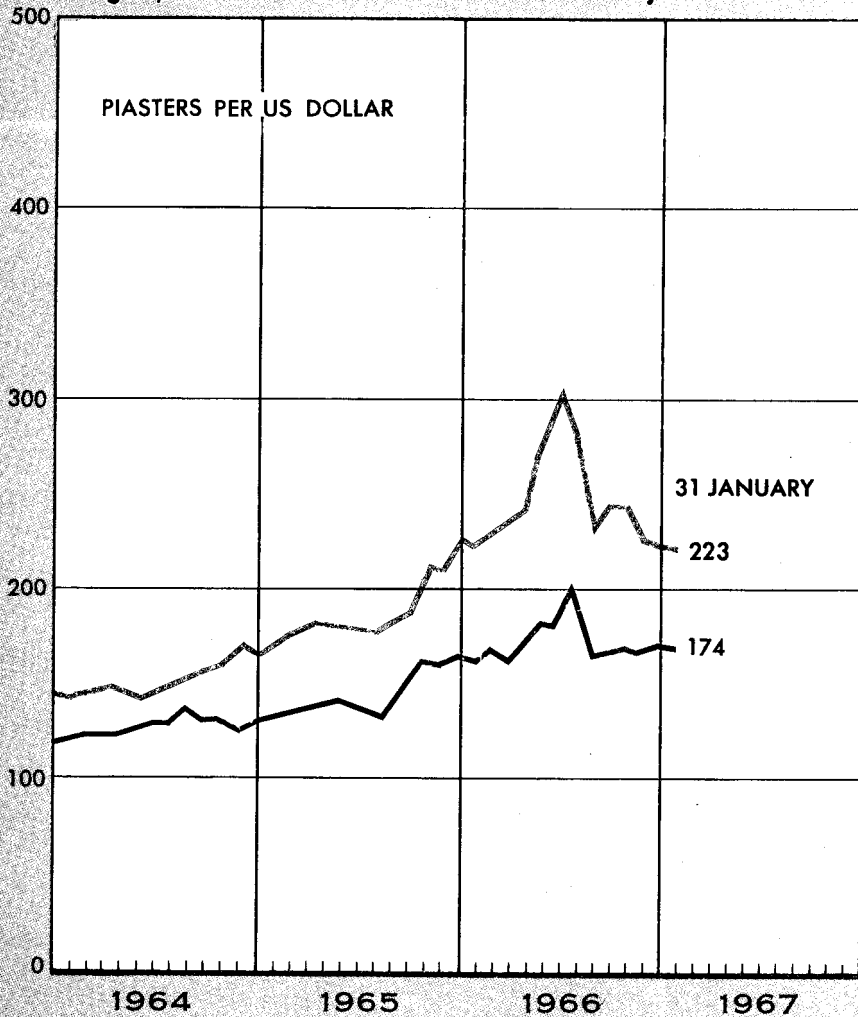
7. Premier Ky has recently committed himself and his prestige by appointing people close to him to run the port. Major Chu, who is now in charge of the Saigon port, is the brother-in-law of Ky's wife. Secretary of State Thuan, who has responsibility for all ports, is a young, energetic GVN official. For this reason, and in view of recent increasing Vietnamese resentment of so-called US dominance, the embassy feels that it is politically impossible for Ky to turn over the port to the US at this time. Moreover, Chu and Thuan have been most cooperative with US officials thus far and it is possible that because of their backing from Ky, they will be able to bring more order and discipline to the port situation.

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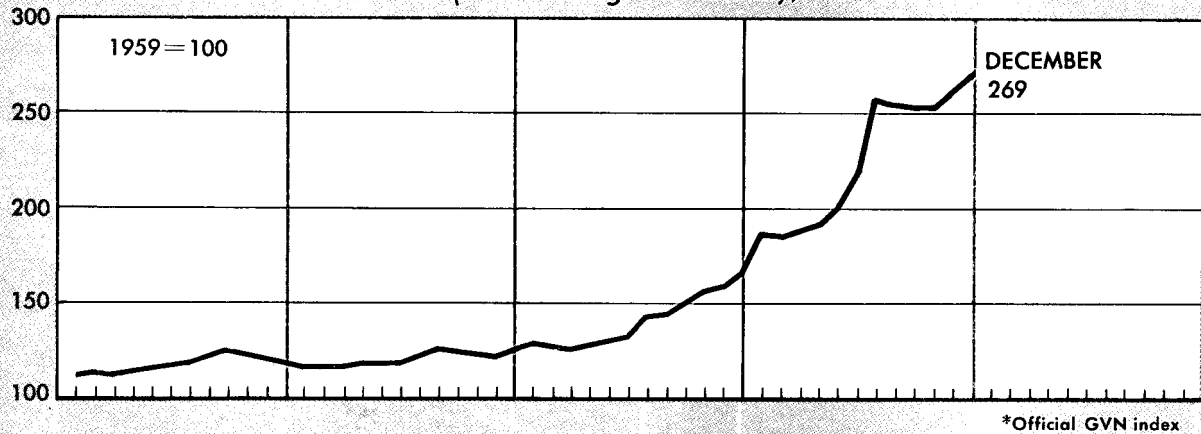
### Saigon, Free Market Gold and Currency Prices



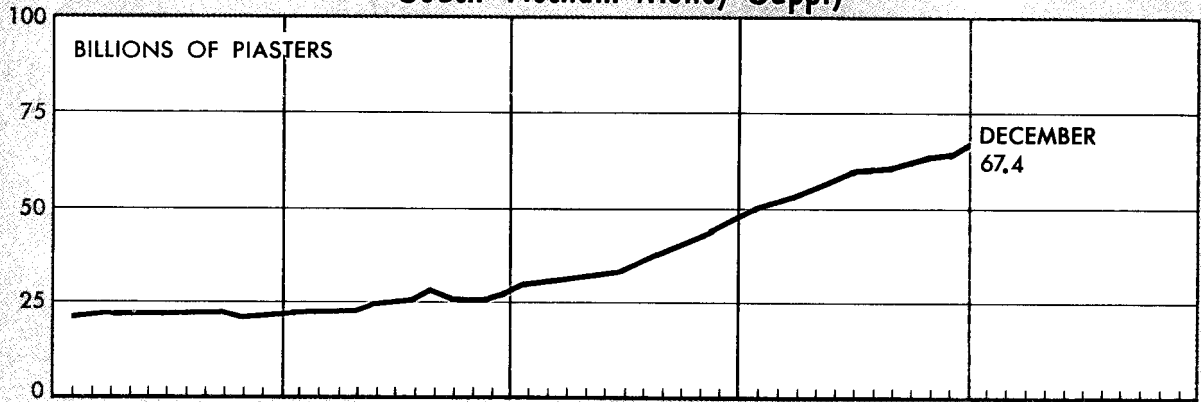
- GOLD: Basis gold leaf worth \$35 per troy ounce
- US \$10 GREEN
- US \$10 MPC Military Payment Certificates (scrip).

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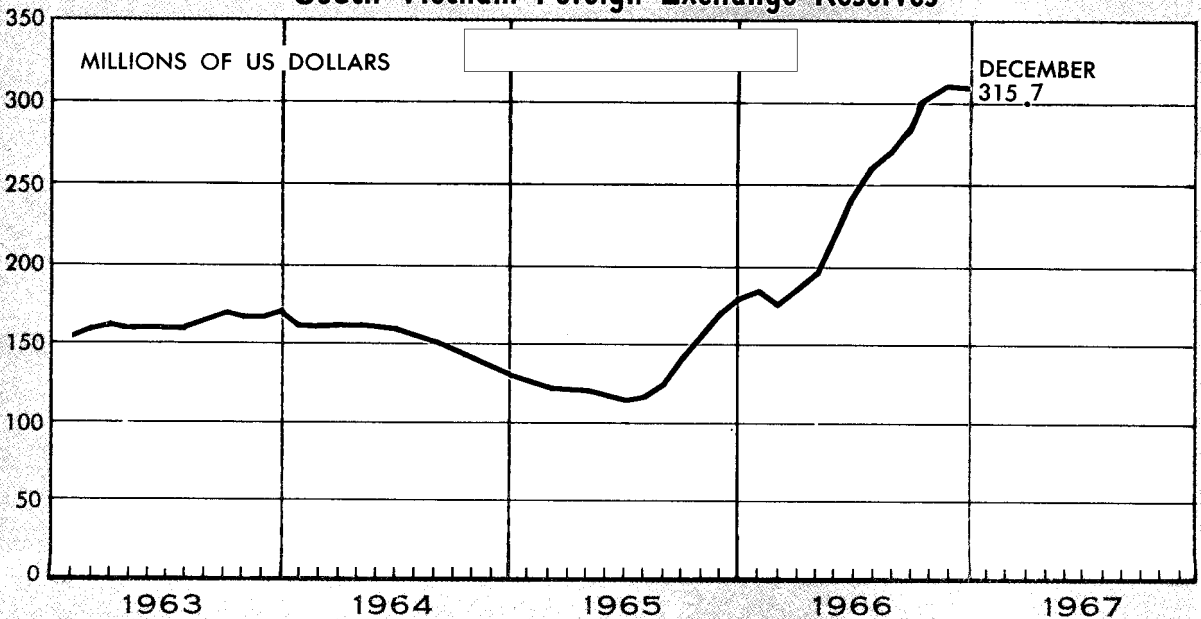
### Saigon Cost of Living Index \* (For Working Class Family)



### South Vietnam Money Supply



### South Vietnam Foreign Exchange Reserves



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