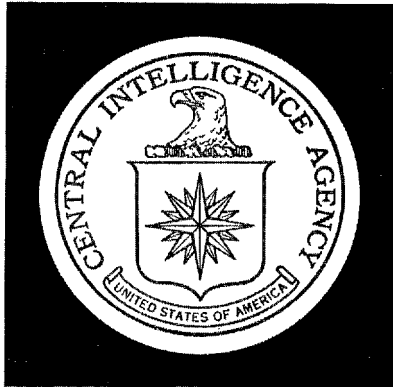


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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Situation in South Vietnam (Weekly)

State Dept. review completed

ARMY review(s) completed.

USAID review completed

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144

12 June 1967
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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(5 June - 11 June 1967)

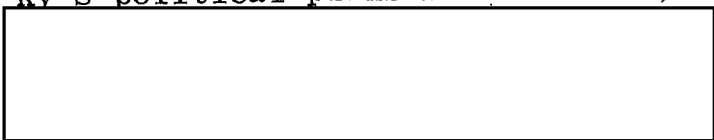
C O N T E N T S

Section

POLITICAL SITUATION

I

Kv's political plans move forward;

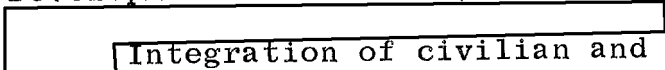


Provisional National Assembly developments; Directorate activities.

REVOLUTIONARY DEVELOPMENT

II

Free World assistance; "New Life Development" activities; Refugees;



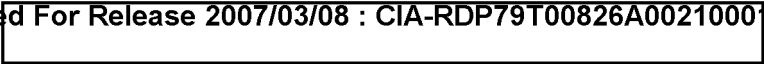
Integration of civilian and military resources for RD.

POLITICAL SITUATION

III

Prices; Currency and gold; Industrial development; Provincial prices.

ANNEX: Weekly Retail Prices in Saigon (table)
Saigon Free Market Gold and Currency Prices (graph)



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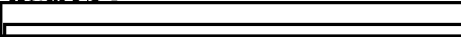

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I. POLITICAL SITUATION

Premier Ky continues to increase his efforts to build a popular political base and has apparently made some gains among organized labor. He has also taken some steps to establish a front-type political party whose objective will be to gain votes among the ethnic minority peoples. Other moves to aid his presidential bid include easing police pressure on the Vietnamese Confederation of Labor (CVT) 

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 and granting GVN approval of a revised charter for the United Buddhist Association. Ky has also decided not to allow retired General Duong Van Minh (Big Minh) to return to Saigon until after the elections.

In the Provisional National Assembly (PNA), the progovernment Democratic Alliance Bloc, which early last week boycotted that body in protest over the holding of a secret vote on the Directorate's recommendation to reschedule upper house elections, reportedly decided on 8 June to take its place in the assembly.

The Directorate, for its part, has sent the PNA another list of recommendations that it wishes to see incorporated into the upper house's electoral law. Meanwhile, the Directorate has also decided to promulgate the presidential electoral law without the controversial provision requiring 30 elected officials to "introduce" a presidential candidate.

Ky's Political Plans Move Forward

1. Premier Ky has increased his efforts to create a broad base of political support for his presidential bid. As a result, he appears to have made certain gains among organized labor and to have

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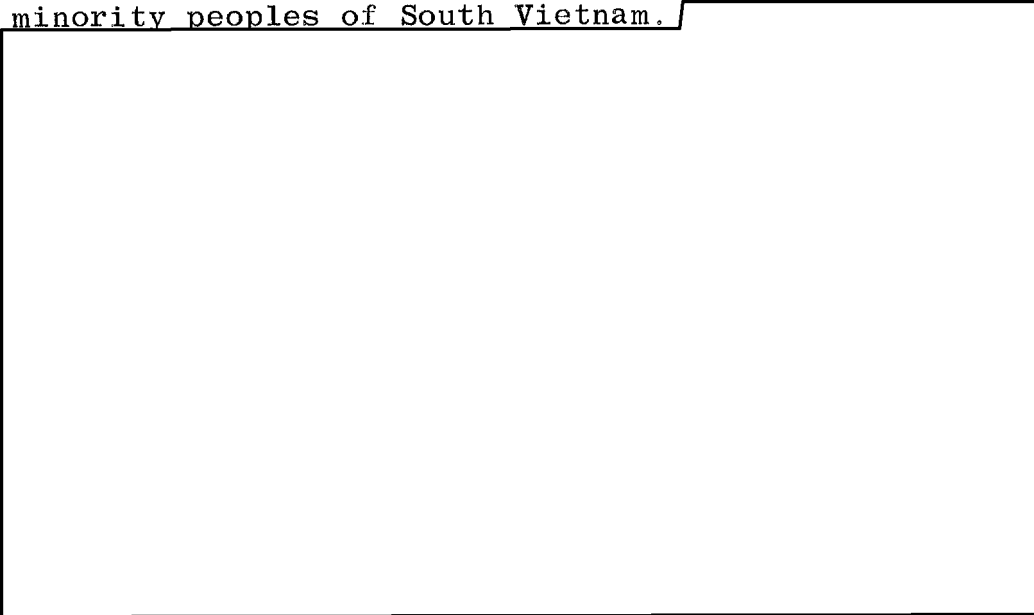
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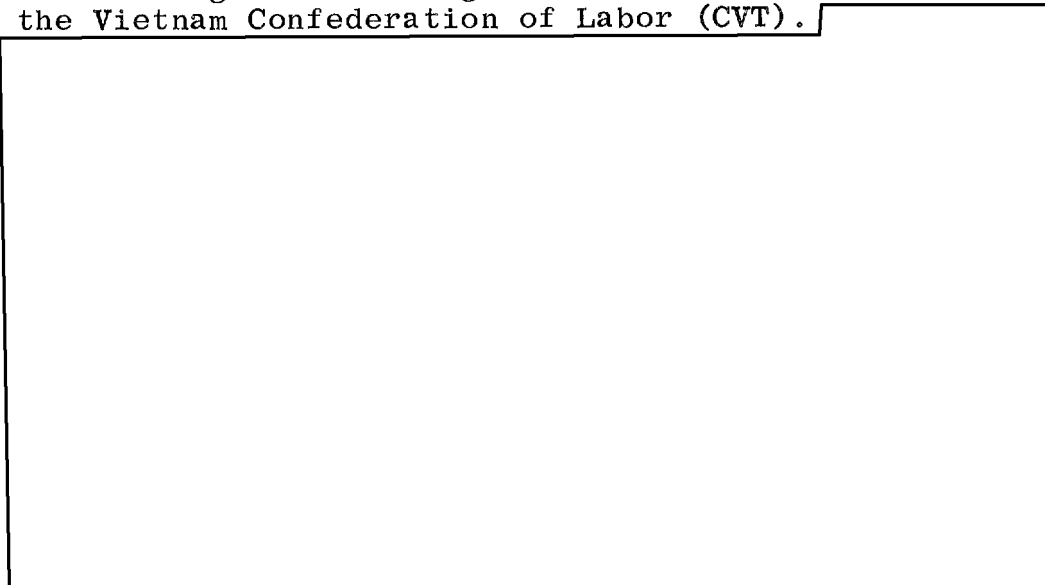
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sparked the establishment of a new political party which will attempt to draw support from among the minority peoples of South Vietnam.



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2. It now appears that Ky has given an order to improve relations with organized labor in order to receive its support. Presumably toward this end, General Nguyen Ngoc Loan, Director General of the National Police, recently made an effort to effect a personal rapprochement with Tran Quoc Buu, head of the largest labor organization in South Vietnam, the Vietnam Confederation of Labor (CVT).



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Provisional National Assembly Developments

13. The progovernment Democratic Alliance Bloc continued to boycott the Provisional National Assembly (PNA) early last week. Members of the bloc had walked out of the assembly on 3 June when it was decided that a Directorate recommendation to reschedule upper house elections should be voted on by secret ballot. Bloc leaders, who supported the recommendation, apparently believed they could not assure the votes of other members if balloting were not done openly.

14. Bloc members did not return to the sessions on 5 and 6 June and announced that they had "temporarily withdrawn" to protest the assembly's method of voting. This announcement was made on 6 June by the bloc's leader, Le Phuoc Sang. Eight bloc members, in their turn, then withdrew from the bloc, saying they could not accept its actions.

15. Although two bloc-supported proposals were defeated in the assembly after the group walked out, the bloc may have felt that its boycott would create an impression of widespread dissatisfaction with the assembly's decisions, and thereby justify any amendments the Directorate might make in the assembly's versions of the electoral laws. An unconfirmed Saigon press report claims, however, that the bloc has now ended its walkout and revised its position on the election dates for the sake of "assembly unity."

16. According to a local Vietnamese press report, the assembly, at a closed door session on 6 June, discussed the question of disciplinary action against its first vice chairman, Nguyen Huu Thong, who at a recent press conference, declared that the presidential election law drafted by the assembly violated the constitution. Following lengthy debate, the assembly decided to set the issue aside temporarily, pending open debate on a date to be decided later. The press story declares, however, that Thong may be relieved of his post.

17. At an earlier closed door session, on 5 June, the assembly met to discuss its public image as portrayed in the local press. The PNA has been

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severely attacked editorially for various shortcomings in the past few weeks. Reportorial coverage on the other hand, has been extensive and accurate. The main concern of the assembly was, however, the manner in which GVN-controlled radio and television have been broadcasting editorial commentaries which have been critical of the assembly on a regular and frequent schedule. The decision of the assembly was to approach the GVN bureaucracy about remedying the matter and, if this course fails, to dispatch a letter of complaint to the Directorate.

Directorate Activities

18. According to a report from the US Embassy in Saigon, the Military Directorate, following a 9 June meeting, has decided to promulgate the presidential electoral law without the controversial provision which requires that a candidate be "introduced" by at least 30 elected officials. By this action, the Directorate will, in effect, override the Provisional National Assembly's (PNA) previous vote in favor of this measure, and may, as a result, cause further strains to develop between the two bodies.

19. Also as a result of the 9 June meeting, the Directorate in a strongly worded message formally asked the PNA to make several changes in the upper house electoral law which is currently under consideration in that body. Chief among the Directorate's recommendations to the PNA was that the upper house elections be held concurrently with the presidential election now set for 3 September and not in December as now scheduled. A second change recommended in the law was that voters be allowed to cast a ballot for all six lists of candidates rather than only one. This recommendation [REDACTED]

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[REDACTED] went against Premier Ky's strong argument in favor of allowing voters to cast their ballots for two lists of candidates.

20. The Directorate's third recommendation to the PNA called for the revision of the amendment which deals with the elimination of upper house candidates who are either Communists or pro-Communist

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neutralists. As the amendment now stands, only candidates who are adjudged to belong to either of the two categories will be stricken from the list while their running mates and qualified alternates will be allowed to run. The Directorate's request calls for the elimination of the entire slate if any member is found to be a Communist or pro-Communist neutralist. Premier Ky reportedly took the lead in calling for this change in the amendment. The Directorate's message to the assembly also included the suggestion, but not the formal request, that the size of the upper house be reduced from its present proposed membership of 60 to 40.

21. In order to provide sufficient time for the establishment of the machinery for the upper house election, the assembly will have to move quickly in passing the upper chamber electoral law, especially if it incorporates the Directorate's recommendations.

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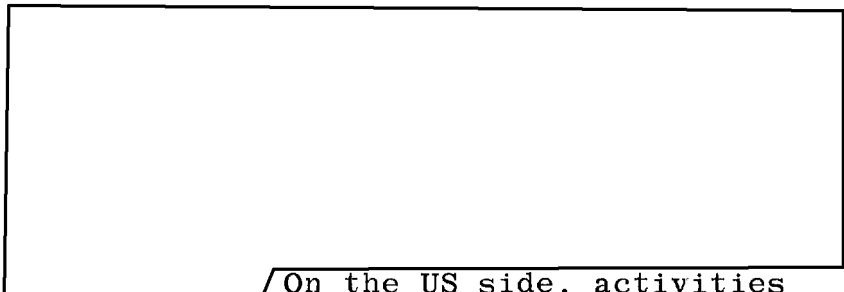
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II. REVOLUTIONARY DEVELOPMENT

The bulk of the 2,200-man regimental combat team from Thailand is scheduled to arrive in Vietnam in early September. The Government of Japan is trying to develop closer relations with the GVN, and appears willing to expand its economic assistance. A Quaker volunteer organization, the American Friends Service Committee, has received the approval of the Ministry of Health (MOH) to build and staff a rehabilitation center for civilian war casualties in Quang Ngai Province. An emergency plague-control mobile team-- a recent innovation of USAID and the MOH-- has apparently brought under control an outbreak of plague in Phuoc Long Province.

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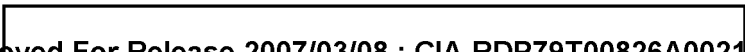


On the US side, activities should suffer only a minimum amount of disruption as the integration of civilian and military resources for RD takes place under MACV.

Free World Assistance

1. Between 1 and 15 September the main body of approximately 2,200 Thai soldiers is scheduled to arrive in Vietnam; Thailand will thus become the sixth nation to provide combat forces to assist the Republic of Vietnam. (The Philippine Civic Action Group is included in this six-nation total since its force is a self contained unit, able to provide its own security and possessing an offensive capability.) The Thai army regiment--named the "Queen's Cobras"--will be attached to the US 9th Infantry Division, elements of which are

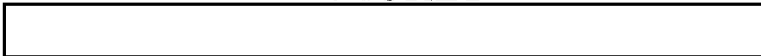
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deployed in the southern III Corps and northern IV Corps areas. US military officials in Thailand have been monitoring the Thai unit's 16-week pre-deployment training course and consider the training to be satisfactory. Morale of the soldiers is reportedly high; 94 percent of them are volunteers from the regular army.

2. The Government of Japan is apparently acting to develop closer relations with South Vietnam. The Japanese are planning to invite a GVN economic delegation to come to Japan during June for three days of discussions on a variety of topics including Japanese economic assistance. Japan has been giving fairly substantial aid to Vietnam--including the Da Nhim electric power facility--under terms agreed upon as part of World War II reparations.

3. Besides projects funded under war reparations, Japan has assisted the US and GVN in many unpublicized ways--providing rest and recreation centers for US servicemen, hospital facilities, repair facilities, and material procurement. Two Japanese medical teams are in Vietnam. Japan has recently concluded an agreement whereby Japanese companies will construct a new neurological suite at the large Cho Ray hospital in Saigon, and plans are also being prepared for the Japanese to develop irrigation facilities in the Phan Rang area of coastal Ninh Thuan Province.



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"New Life Development" Activities

Health

5. The American Friends Service Committee, a Quaker volunteer organization, has received the approval of the GVN's Ministry of Health (MOH) to build and staff a rehabilitation center for civilian war casualties at the Quang Ngai provincial hospital. When operative, the center will be equipped to work with amputees as well as patients with other types of injuries.

6. An outbreak of plague in Phuoc Long Province was apparently quickly brought under control by an emergency plague-control mobile team. This team concept--a recent innovation of USAID and the MOH--is designed to provide a quick reaction capability to isolate plague-type diseases before they assume epidemic proportions.

Youth

7. Plans have been formulated by the GVN to produce youth programs which will be implemented at the village and hamlet level in Vietnam. The programs entail summer activities, year-round sports programs, and expanded, nationwide boy scout operations.

Refugees

8. Approximately 3,337 families--comprising an estimated 12,000 people--have been evacuated from areas near the demilitarized zone (DMZ) and moved to the Cam Lo resettlement site. In addition to commodity support, all families have reportedly received a 5,000-piaster resettlement allowance and a 30-day temporary cash allowance. The resettlement area has been surveyed and many refugees are already constructing new, permanent homes.



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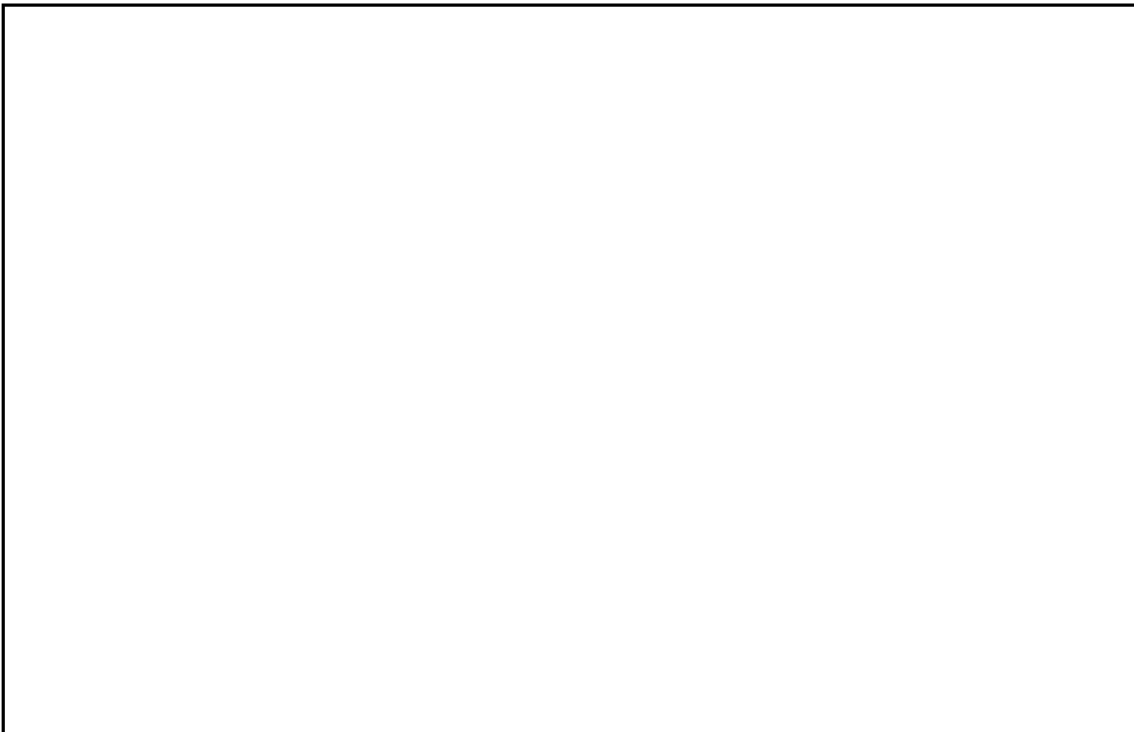
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Integration of Civilian and Military Resources for RD

14. In accordance with National Security Council Action Memorandum (NASAM) 362, which transferred responsibility for support of RD to COMUS MACV under the over-all authority of Ambassador Bunker, General Westmoreland has issued an order setting forth the organization for civil operations and RD support in Vietnam.

15. At the Saigon level Ambassador Komer-- General Westmoreland's Deputy for Civil Operations and Revolutionary Development Support (CORDS), will supervise the formulation and execution of all plans, policies, and programs--military and civilian--which support the GVN's RD effort and related programs. Ambassador Komer's responsibilities include the authority to advise appropriate GVN agencies concerning the provision of local security and destruction of the Communist infrastructure in the country side. The former director of the Office of Civilian Operations (OCO) has assumed the position of the Assistant Chief of Staff, CORDS, and the

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former director of MACV's Revolutionary Development Support Directorate (RDSD) has become the latter's deputy.

16. At corps level, the OCO Regional Director has become the Deputy CORDS to the US force commander/senior advisor and assumes the responsibility for civic action performed by US units. Moreover, the deputy force commander/senior advisor in the corps will operate under the supervision of the deputy CORDS on all matters relating to RVNAF support to RD. The military staffs engaged primarily in RD support--except for intelligence and psychological operations--will be integrated into the CORDS organization at corps level.

17. At province level, a single team chief will be chosen, and may be either military or civilian, depending on the security in the province, the civil/military balance in the RD effort, and the qualifications and experience of the current senior OCO provincial advisor and the MACV sector advisor. The provincial team chief will receive operational direction from and report, through the deputy for CORDS, to the force commander/senior advisor. The military element of the provincial team will receive logistical and administrative support from the division advisory team, where RVNAF units are attached to the province chief for the direct support of RD, advisors to these units will come under the operational control of the provincial advisory team chief.

18. The new organization provides a single, integrated US chain-of-command, permitting logistical and administrative economics through consolidation and cross-servicing. The majority of US civilian and military personnel, however will still be doing the same job and reporting to the same senior officials as before, and, therefore, continuing activities should suffer only minimum disruption.

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III. ECONOMIC SITUATION

Retail prices in Saigon rose slightly during the week ending 29 May, reaching a level 26 percent higher than at the beginning of January. The price of gold was unchanged on 29 May, while currency prices rose slightly for the second consecutive week. The continued low rate of licensing for imports of industrial machinery and equipment indicates that the Vietnamese business community is still reluctant to invest in Vietnam's industrial development. Consumer prices in the provinces declined slightly from mid-March through the end of April, but are still an average of 16 percent higher than in mid-January.

Prices

1. Retail prices in Saigon rose slightly during the week ending 29 May, reaching a level 26 percent higher than at the beginning of January. The index for food prices increased as declines in the prices of rice and chicken failed to offset increases for pork, shrimp, and several vegetables. Pork prices rose for the second consecutive week as wholesale prices at the Saigon slaughterhouse remained high. The increases in vegetable prices reportedly reflected shortages of out-of-season crops. Prices of some nonfood items, such as firewood, calico, and soap, declined slightly while all others used in the index were unchanged. (A table of weekly retail prices in Saigon is included in the Annex.)

2. Prices of selected US-financed imports also rose slightly during the week ending 29 May for the second week in succession and now are at a level about eight percent higher than at the beginning of the year. Prices of all goods used in the index, except for cement and condensed milk, increased. Fertilizer prices registered the largest gains because demand is increasing with the

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beginning of the main rice growing season. The fertilizer prices used in the USAID index are those for old stocks still in the hands of private dealers. There have been no new private imports of fertilizer since last summer. Most fertilizer now is held by the Agricultural Development Bank, the sole GVN importer, and the groups dealing with it. Their selling prices are lower than those used in the index.

Currency and Gold

3. Gold and currency prices were again mixed on 29 May compared with the previous week. The price of gold was unchanged at 198 piasters per dollar. The price of dollars rose by three piasters to 158 piasters per dollar, and the rate for MPC (scrip) rose by two piasters to 113 piasters, still five piasters below the official rate. (A graph on monthly and weekly currency and gold rates is included in the Annex.)

Industrial Development

4. During the last few months there has been a continued decline in the number of license applications for US-financed imports of machinery and equipment for new projects, replacements, and the expansion of existing plants. Vietnamese businessmen seem to be still reluctant to invest in new equipment or new enterprises, which are necessary to improve the rate of industrial growth and lessen the country's dependence on imports. The slowdown began in mid-1966 with the devaluation of the piaster, which in effect doubled the cost of imported raw materials and equipment. During 1966, USAID approvals for imports of industrial equipment amounted to \$13.8 million, of which only \$4.7 million was approved during the last half of the year. No data are available for license approvals in 1967, but the number of license applications submitted reportedly has declined further, and presumably this is true for the same type of imports financed by the GVN.

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5. In addition to the devaluation, US officials attribute the low licensing rate to special taxes on GVN-financed imports of industrial supplies and equipment, imports of finished products that compete with locally made goods, tight bank credit for importers, and the disinterest and lack of knowledge among the Vietnamese business community concerning opportunities for new small and medium-sized industrial plants.

6. The GVN has taken steps to alleviate the problems posed by taxes, foreign competition, and tight credit, but the basic problem of instilling confidence in the economy in order to stimulate private investment is a much more difficult one. On 12 May the government eliminated the so-called perequation tax, levied only on GVN-financed goods, for imports of industrial machinery and parts. At the same time taxes on imports of all kinds of fabrics were almost tripled in order to relieve the pressure on domestic manufacturers, who reportedly have had to cut back operations because of competition from imports. In addition, the National Bank of Vietnam has made further rediscounting facilities available to commercial banks and reduce the down payment required of importers when getting their import licenses.

7. Both the US and the GVN are studying the problems faced by businessmen in undertaking investment in industry. Their recommendations probably will include revising the investment laws and streamlining procedures for securing government approval for new projects and procurement of equipment for the modernization or expansion of existing plants. GVN officials also have been discussing the possibility of setting up new credit institutions to channel development funds to the private sector of the economy. US officials feel, however, that little hard thinking has been focused on this subject and that possibly more can be done in the meantime through existing institutions such as the Industrial Development Center and the Financial Company for Industrial Development in Vietnam (SOFIDIV).

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Provincial Prices

8. Regional consumer prices declined by an unweighted average of one percent from mid-March through the end of April, but remained an average of 16 percent higher than in mid-January, according to incomplete reporting from the provinces. Prices declined in III and IV Corps by four and three percent, respectively, from mid-March through the end of April. In I and II Corps, however, prices rose by two and three percent, respectively. In the last half of March, prices in I Corps jumped by 12 percent because of higher prices for shrimp and rice, but then declined throughout April. As of the end of April, prices in I and III Corps remained considerably above those in Saigon. In II Corps, prices were about five percent higher than those in Saigon after having been lower in mid-March. As usual, prices in IV Corps were well below the Saigon level.

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TABLE

Weekly Retail Prices in Saigon a/

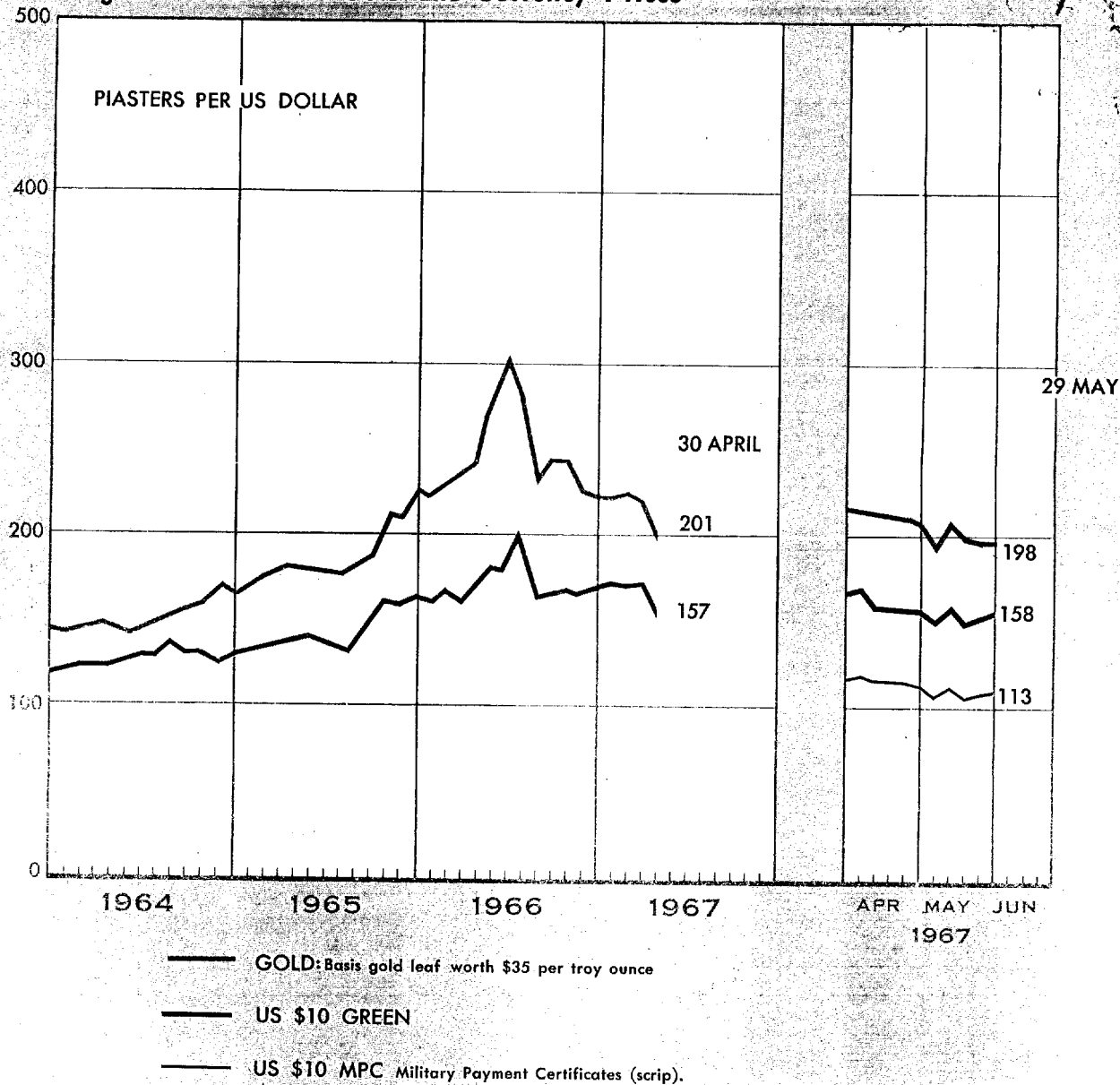
	13 June 1966 b/	3 Jan. 1967	8 May 1967	15 May 1967	22 May 1967	29 May 1967
Index for All Items	<u>173</u>	<u>225</u>	<u>260</u>	<u>266</u>	<u>276</u>	<u>278</u>
Index for Food Items	<u>190</u>	<u>242</u>	<u>289</u>	<u>297</u>	<u>310</u>	<u>316</u> c/
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.)	1,250	1,700	2,700	2,700	2,750	2,650
Pork Bellies (1 kg.)	90	130	130	130	150	160
Fish-Ca Tre (1 kg.)	130	150	150	170	170	170
Nuoc Mam (jar)	70	90	150	150	150	150
Index for Nonfood Items	<u>140</u>	<u>195</u>	<u>207</u>	<u>207</u>	<u>214</u>	<u>210</u> c/
Of Which: (In Piasters)						
Firewood (cu. meter)	360	560	500	520	550	530
Cigarettes (pack)	10	14	14	14	14	14
White Calico (meter)	27	33	31	30	33	32
Kerosene (liter)	7.8	10.5	10	10	10	10

a. Data are from USAID sources. For all indexes 1 January 1965 = 100.

b. Price level just prior to the 18 June devaluation.

c. Preliminary.

Saigon Free Market Gold and Currency Prices



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