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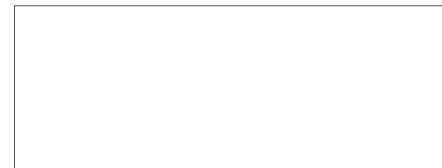
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DIRECTORATE OF  
INTELLIGENCE

*Developments in Indochina*

State Dept. review completed

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DEVELOPMENTS IN INDOCHINA

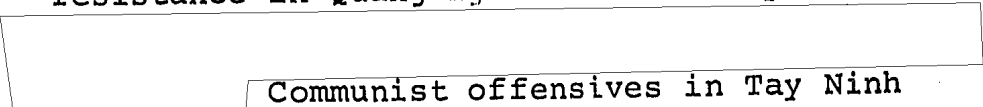
*(Information as of 1500)*

Page

SOUTH VIETNAM

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Government forces still face stiff resistance in Quang Ngai and Kontum provinces.



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Communist offensives in Tay Ninh Province have been concluded, and enemy military forces are shifting to political struggle. President Thieu has formed a new government-supported political front.

LAOS

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Prime Minister Souvanna is unwilling to accept a "provisional" cease-fire proposed by Communist leader Souphanouvong. Rightist leaders are severely critical of Souvanna's handling of negotiations with the Communists. Military activity continues in scattered areas of the country.

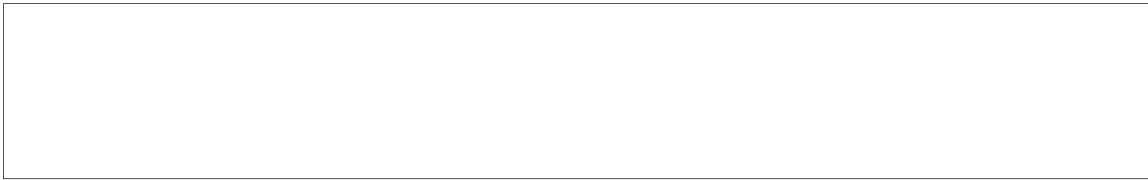
CAMBODIA

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The government is moving ahead with clearing operations on the east bank of the Mekong River and may try to organize operations against Communist-held provinces in the northeast.

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The government plans some wage increases.

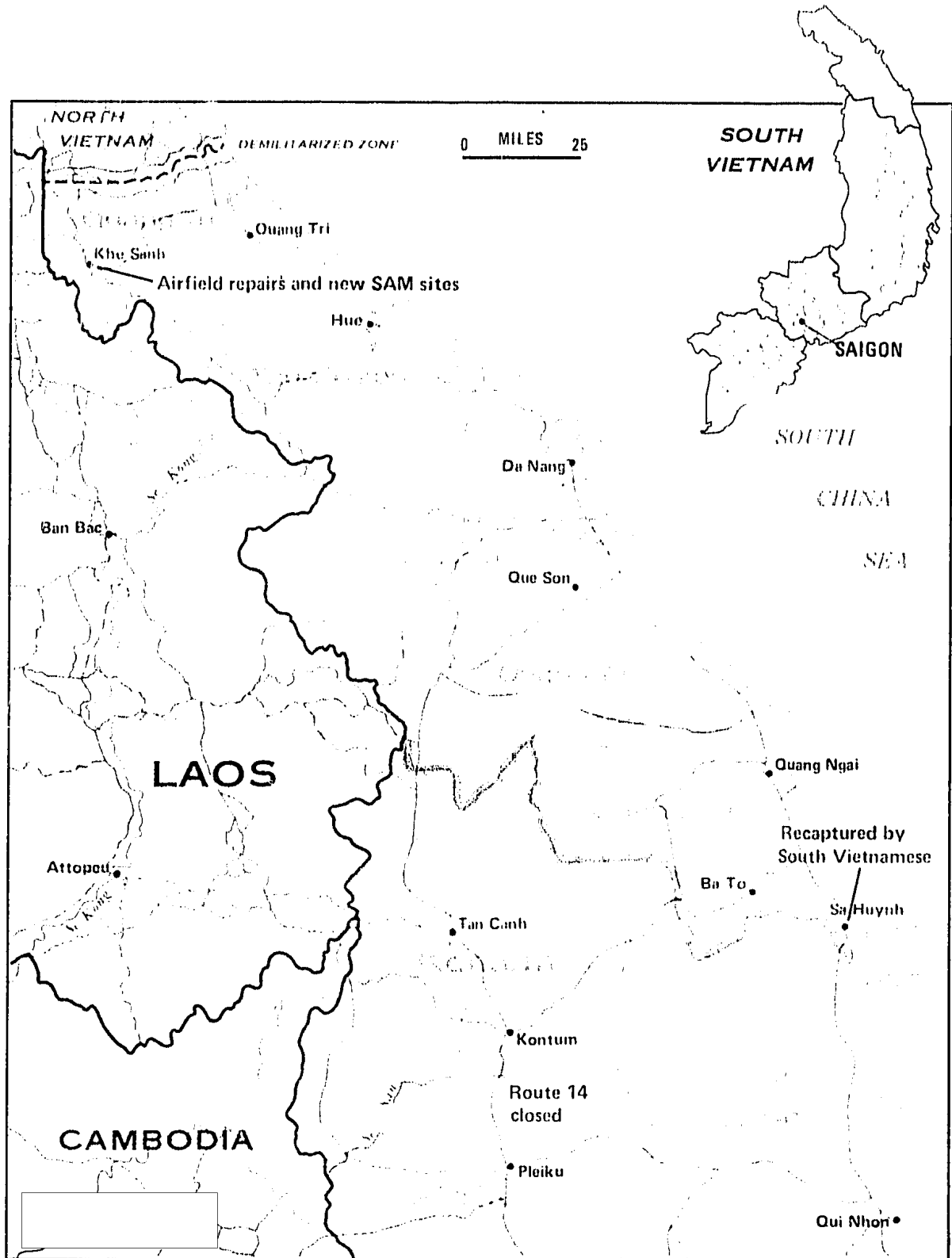


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SOUTH VIETNAM

The South Vietnamese have recaptured the town of Sa Huynh in southern Quang Ngai Province, but still face stiff enemy resistance in the surrounding area, as well as in road-clearing operations in the western highlands. The South Vietnamese 2nd Division, under orders of the regional commander to retake Sa Huynh by 18 February, seized a nearby artillery base on the 16th and took the town the following day. The Communists still maintain a position just east of the town as well as much of the high ground to the west. The Communists are moving additional fighting units toward the coastal areas, and new Communist attacks to the north of Sa Huynh may be intended to relieve pressure on their remaining positions near the town.

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[REDACTED] An abortive attempt was made on 17 February to move a 44-truck convoy north along Route 14, but only seven vehicles made it through to Kontum City. New efforts to secure the highway are being made, but at last report the road remained closed. [REDACTED]

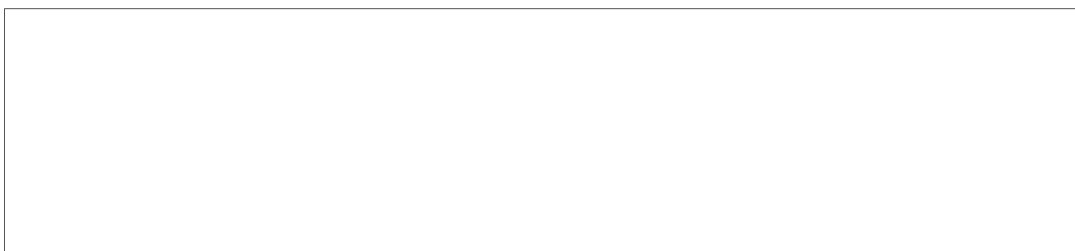
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*We Will Cease Firing When the Other Side Does*

The commander of the provinces around Saigon, General Nguyen Van Minh, told an American official on 19 February that he does not consider the Joint Military Commission's (JMC) appeal to stop the fighting applicable to his command. Minh made the point that his troops have been fighting a "defensive war" since 27 January and would continue to do so until the Communists honored the cease-fire agreement. He has limited his air and artillery strikes and taken a "let-it-be" attitude toward main enemy formations that remain quiescent. He said, however, he would not hesitate to stop the movement of Communist forces toward populated areas, regardless of the presence of JMC or other control and supervisory teams.

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*Reactions to Cease-fire Appeal*

Not surprisingly, initial Communist reaction to the 16 February Joint Military Commission appeal to honor the cease-fire has been to hold the US and Saigon entirely responsible for violating the agreement. Hanoi's Liberation Radio in a commentary on 17 February observed that while the Communist side had been implementing the agreement "in a very strict manner," Saigon's troops had committed over 2,000 violations since the cease-fire began. Because of these attacks, the broadcast stated, Communist troops in the south had been forced several times "to take some firm self-defense measures."

The Liberation Radio commentary concluded with the hope that the joint appeal would end the fighting

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and that henceforth the US and Saigon would strictly adhere to the agreement. The Communist side claimed it would continue to "scrupulously implement the cease-fire provisions" because "our cadre are aware that the present phase of the struggle to liberate the South...is basically a struggle to ensure strict, correct, and scrupulous implementation of the agreement." In an apparent appeal to critics of President Thieu, the broadcast urged "members of the Saigon administration and army who know what is going on... to stay the criminal hands of the warlike elements who seek to sabotage the agreement and rekindle the war."

So far, there has been no official reaction from Saigon to the appeal.

Press reports indicate that South Vietnam's Air Force has been ordered to stop all air strikes, but there has been no official confirmation. A South Vietnamese military spokesman, according to the press, said that Saigon radio would continue to broadcast the appeal to its troops and acknowledged that Viet Cong officials were broadcasting similar instructions on their radios.

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Communist Cop-out in Tay Ninh?

Although Communist propaganda in Tay Ninh Province is proclaiming that the Communists plan to attack and take the provincial capital before 27 February, COSVN has told enemy officials that the offensive there has been concluded. Communist officials in Tay Ninh Province have ordered their local force units to withdraw from areas near the provincial capital because of the intensity of South Vietnamese counterattacks. there are no plans to mount another offensive in Tay Ninh Province and political struggle will become the primary mission of the military forces.

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[redacted]

Such a decision by COSVN probably was prompted by a lengthy, but frank, assessment of the enemy's ten-day offensive of late January. The report, submitted by the Viet Cong current affairs committee in Tay Ninh on 12 February, concluded that the South Vietnamese knew in advance of the attacks and took measures to thwart the Communist efforts to seize territory and control people. The committee said the Communists withdrew from the battlefields because "we were concerned about civilian losses, not because we suffered heavy casualties" and because "we realized that continued fighting would not achieve our political objectives."

Other enemy shortcomings outlined in the report were inadequate preparations because of underestimation of the "obstinacy of the enemies" and lack of coordination. The province officials also complained to COSVN in the report that morale had suffered because main force units were not committed to the offensive.

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A Name-Changing Game

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[redacted] the Communists plan to rename a town in northern Kontum Province "Kontum" and make it their headquarters in the province. The town to be renamed is Tan Canh, a former South Vietnamese strong point that was lost to the Communists early in 1972. It is located nearly 30 miles north of the government's provincial capital of Kontum City. The South Vietnamese have also played this game. When they lost the district capital of Ba To in southern Quang Ngai Province, they set up their administrative machinery in a nearby government-held town, renaming it Ba To.

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Saigon Creates A New Political Front

Following a weekend meeting in Saigon with over 300 government, party and religious leaders, President Thieu announced the formation of a new government-supported "Popular Front To Win Peace and Implement the National Right To Self-Determination." The government's official announcement glowingly characterized the new front as "the leading banner for our unyielding 17.5 million people" in their fight against Communist aggression. The announcement claimed that the new front was needed to help "the struggle to win peace at a moment when there is only a theoretical basis for peace" and to implement the "national right to self-determination for the South Vietnamese people."

A "congress" meeting on 23 February in Saigon, and billed as including people from the broadest spectrum of South Vietnamese society, ostensibly will spell out more clearly the front's policies and guidelines.

The new organization apparently will include a central committee headed by President Thieu and four subcommittees chaired by prominent government politicians and religious leaders. According to the chairman of the Da Nang chapter of the Democracy Party, these committees will extend down to the hamlet level. He also claimed that the front would be independent of the Democracy Party, although it would make use of the party's local administrative machinery to disseminate information and policy guidance.

A provincial council chairman in the delta who attended the weekend meeting has shed additional light on the front's role. He said it was intended to encompass all political and religious groups in South Vietnam in an effort to mobilize their support for the government in the coming elections. He also said that President Thieu had told the group that it would be in South Vietnam's interest to hold elections soon. The new front will advise the President, according to

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the councilor, on the appointment of the 45 pro-government members and half of the "neutralist" contingent to the National Council for National Reconciliation and Concord established in the peace settlement to help set up the elections.

So far, there has been little public or official reaction to the new front. Revolutionary Dai Viet leader Ha Thuc Ky, a frequent critic of the President, said he had serious reservations about the real purpose of the new front, that he suspected that Thieu's long-term objective was to use the new group to help set up a "Marcos- or Pak-style rule." He said he was planning to form a counter group that would be both anti-Communist and anti-Thieu to keep the Communists from monopolizing opposition to Thieu.

Progressive Nationalist Movement leader Nguyen Ngoc Huy said that he had agreed to participate in the new group "without enthusiasm" because he believes it is intended by the President solely to put up a "good show" for the Paris conference on 26 February and for Thieu's trip to the US later this year. He said he felt the front would be short lived and that he continues to distrust Thieu's attitude toward political groups.

On the surface, at least, Thieu's latest effort to rouse popular sentiment against the Communists by appealing to "nationalism" appears to be aimed at reinforcing his personal political position under the banner of national unity. It is difficult to foresee that the front could ever operate independently of the government's Democracy Party. Especially in the countryside, there are already plans to use the party's administrative machinery, and consequently, the front would be little more than gloss for official party doctrine. While the new front may attract a fairly large numerical following, it is doubtful that the majority of people will be much more enthusiastic about the new government sponsored organization.

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than about previous ones. They remain inherently suspicious of anything originated by the bureaucracy in Saigon. That President Thieu chose to create another anti-Communist organization in addition to the Democracy Party, the huge government administrative bureaucracy, and the army, suggests that he may be more concerned about the Viet Cong's political influence over the people in the South than he has previously acknowledged.

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LAOS

The Communists are seeking a "provisional" cease-fire prior to a final military and political settlement.

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In a press interview on 19 February, however, Souvanna indicated an unwillingness to accept such an intermediate measure or anything less than a formal cease-fire agreement providing for the withdrawal of North Vietnamese and other foreign troops. Souvanna's greatest difficulty with the new Communist proposal could be its stipulation that a final political settlement be signed within 30 days of a provisional cease-fire. The prime minister is no doubt reluctant to make such a commitment until agreement can be reached on the basic political questions still at issue.

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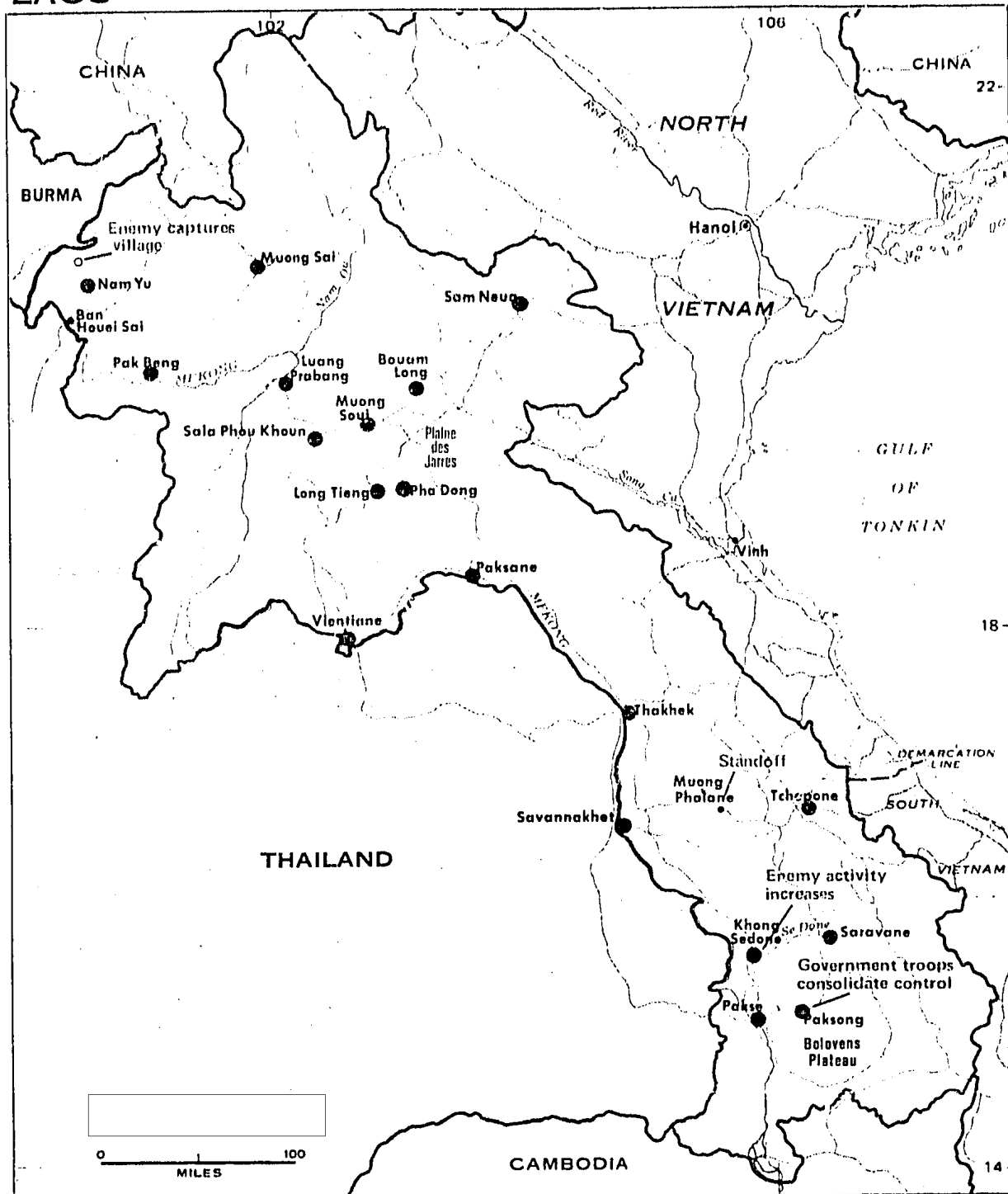
Rightist Grumblings

Rightist leaders who gathered last week for an annual religious festival expressed vigorous criticism and distrust of Prime Minister Souvanna Phouma's handling of the current negotiations with the Communists. Leading members of almost all major rightist factions, including the na Champassak and Sananikone families, put aside traditional rivalries to denounce Souvanna's alleged willingness to accept an even split of cabinet portfolios with the Communists, the

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installation of Lao Communist leader Souphanouvong as deputy prime minister, and differential timing for troop withdrawals. Host Boun Oum na Champassak told one Western diplomat that he feared that Souvanna was selling out the rightists and said there was even talk of bringing Phoumi Nosavan back from exile to rally the rightists.

Much of the talk was fueled by alcohol and blustery camaraderie, but the rightists are genuinely concerned that their interests are being neglected in the negotiations. They presumably hoped that Western diplomats in attendance will be alarmed at the level of discontent and will intercede with Souvanna on their behalf. [redacted]

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#### The Military Situation

In the central panhandle a stand-off has developed at Muong Phalane. Air strikes have pinned down most North Vietnamese infantry units east of the Se Sangsoy River, which runs through Muong Phalane, but Communist gunners and a few small infantry squads have kept elements of an eight-battalion irregular force from entering the town.

Irregular troops on the central Bolovens Plateau are still in firm control of Paksong despite increased enemy shelling. One stubborn pocket of enemy troops is holding out in the southern outskirts of the town, but most elements of the North Vietnamese 9th Regiment appear unwilling to mount a counterattack in the face of heavy air strikes. Just north of the plateau, enemy activity has picked up around Khong Sedone, and steady harassment is forcing a Lao Army unit farther east in the Sedone Valley to fall back.

In the remote northwest, an enemy attack on 17 February forced irregulars to abandon the northernmost outpost in the 30-mile long defensive line running north from Ban Houei Sai, the only important population center in the area. An irregular battalion was airlifted to Ban Houei Sai on 19 February in an effort to bolster government morale, already lagging after the loss of the irregular base at Nam Yu early this month. [redacted]

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Lao Army Cease-fire Instructions

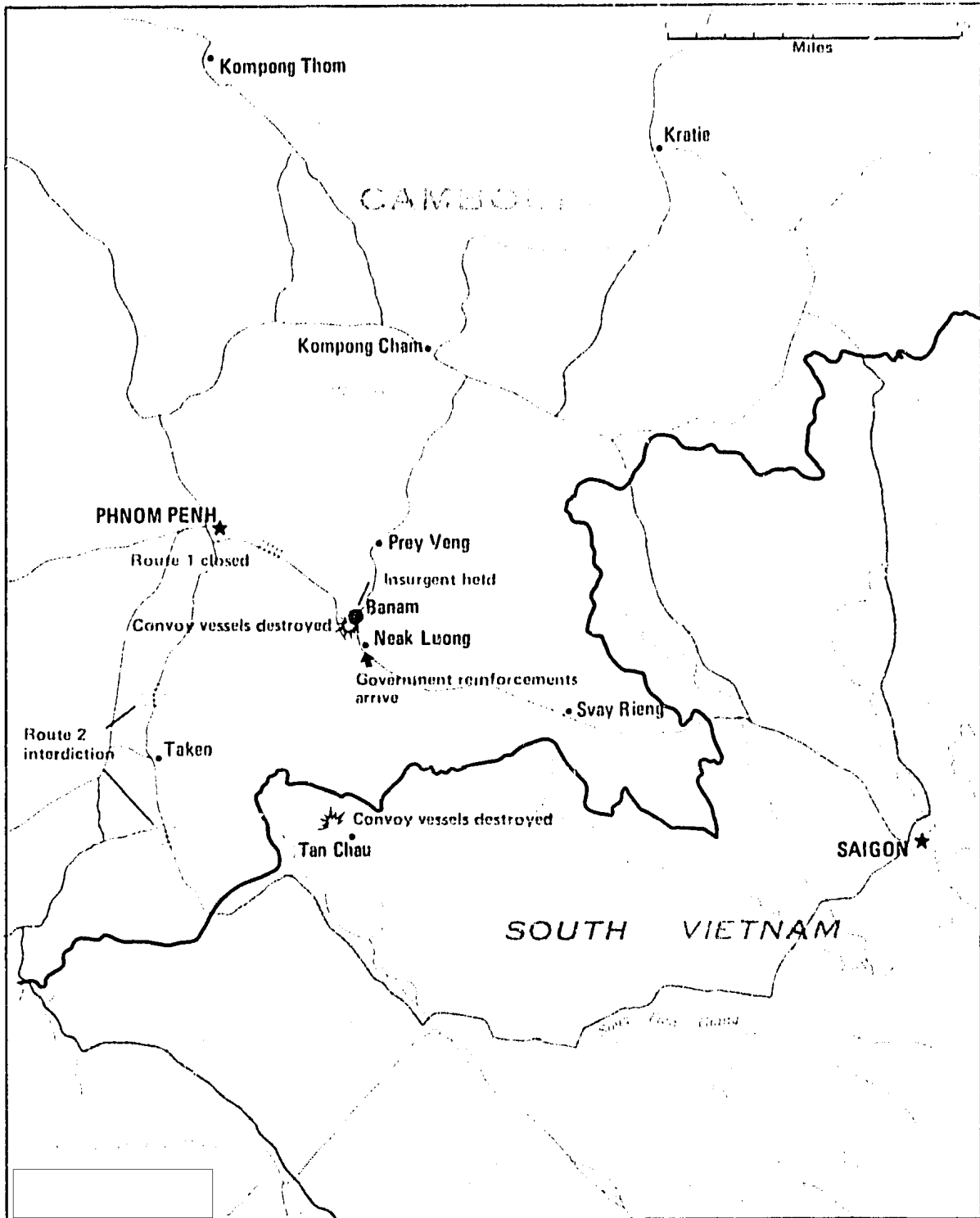
The regional Lao Army headquarters at Luang Prabang issued [REDACTED] cease-fire orders on 9 February to battalion and zone commanders. The order warns against possible Communist tactics just prior to a cease-fire and urges army units to capture as much territory as possible before an end to hostilities is announced. After a cease-fire officers are to report all violations to the International Control Commission and to exhort villagers to demonstrate against the Communists when Commission teams arrive to investigate the violation. Lao Army personnel holding newly won positions are to claim that they have occupied the territory for some time and villagers are to deny ever having seen Communist troops.

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CAMBODIA

Phnom Penh is continuing efforts to dislodge Khmer insurgent forces from the east bank of the Mekong River. A Cambodian paratroop brigade is now en route to an area south of the government's riverine base at Neak Luong. Its mission will be to clear the east bank of the Mekong southward to the South Vietnam border. Another government brigade is moving into positions north of Neak Luong near the insurgent-held village of Banam. If this force can dislodge the insurgents, it will try to clear the area along the river above Banam.

Communist attacks on a supply convoy on the Mekong on 16 February should give an added impetus to the clearing operations. The convoy first came under attack a few miles north of its staging base at Tan Chau in South Vietnam. One tug was damaged and a rice barge was destroyed. When the convoy later reached the Banam region, it came under intense insurgent fire, which resulted in the destruction of an ammunition barge and damage to a cargo vessel. With the aid of covering fire from US aircraft and Cambodian Navy patrol boats, the remainder of the convoy managed to reach Phnom Penh.

Some insurgent forces apparently remain along a section of Route 1 southeast of Phnom Penh and, contrary to earlier press reports, the highway is still closed between the capital and the Mekong. Government units trying to reopen the road engaged in several clashes with insurgent troops on 16 February.

Military activity remains light in most other areas of the country. In the southwest, however, the insurgents are continuing to harass government positions in the vicinity of Kampot City.

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The Northeast Again

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[Redacted] a small group of Khmer Krom officers in the Cambodian Army will visit South Vietnam for ten days this month to gather information in connection with a plan to form a secret Khmer Krom "army" that will try to retake the four northeastern Cambodian provinces--Mondolkiri, Ratanakiri, Kratie, and Stung Treng. The officers are to confer with Vietnamese officials at MR II headquarters, with provincial intelligence officers, and with local officials along the South Vietnam - Cambodian border. They will also survey the area and try to collect intelligence on Khmer insurgent activities on the Cambodian side of the border. At the end of their visit they are to report to former first minister Son Ngoc Thanh, who now serves as a "special adviser" to Lon Nol.

This activity appears to be in line with previous indications of Cambodian interest in moving back into the northeast. Last November, for example, Thanh went to Saigon to look into the possibilities of forming a force of South Vietnamese volunteers to liberate the four provinces. Shortly thereafter, Lon Nol set up a committee that was to devise plans for government occupation of the area. Neither of those efforts appears to have got off the ground. Although it is not yet clear to what extent Phnom Penh may be pushing the proposed Khmer Krom scheme, its prospects do not appear promising. Even if a Khmer Krom force could be introduced into the northeast, its chances of achieving the desired results in that remote and rugged area would be slim.

[Redacted]

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Pay Raises

Apparently unphased by warnings from the International Monetary Fund (IMF) on growing inflationary pressures, the government is planning some wage increases and negotiating others that could seriously threaten its stabilization goals. Included in the proposed 1973 budget is an 80 percent pay increase for civil servants, the first raise to be enacted since 1953. Government workers have periodically received salary supplements to cover higher living costs, but the latest supplement--approved last fall--was not paid until last month because legislation authorizing the government to raise the ceiling on bank borrowing was not signed until 9 January. The pay hike will increase civil pay to a minimum of \$20 per month. Military wages were raised last fall.

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The government also has approved a 40-percent increase in wages for factory workers, who briefly struck earlier this month, to \$16 per month. Still unresolved, however, is the question of fringe benefits, such as transportation and family and lodging allowances traditionally paid by employers. Labor representatives reportedly are seeking benefits worth about \$13 a month, while management has offered the workers \$6. Teachers also are seeking a boost in salary, and other labor groups have become increasingly vocal in recent weeks over rising living costs.

Rising labor discontent undoubtedly will strain government efforts to control inflation. Recently announced price increases for petroleum, electricity, and rice, while helping to restore budgetary discipline in Cambodia, could lead to even greater pressures to approve further wage boosts. [REDACTED]

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