

WWR
ACTION 60

CONFIDENTIAL

Saturday, November 11, 1967

Pres file

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Balance of Payments Program Announcement

Attached is Secretary Fowler's memo recommending a schedule of announcements and actions regarding the balance of payments.

The main immediate issue is the announcement of 1968 guidelines for the Commerce and Federal Reserve voluntary programs restraining foreign direct investments and bank credits. These should be announced as soon as possible so as to affect planning for next year by corporations and banks. Fowler proposes to do so at a press conference he would hold on Friday, November 17, with Trowbridge and Governor Robertson of the Fed. At the same time he will release the third quarter balance of payments figures -- which will not make good reading. I believe you should also announce earlier the same day, as Fowler suggests, appointment of the new Travel Task Force so that Fowler at his press conference can refer to it as another action designed to help our balance of payments.

Fowler also proposes for possible release by December 1 a special report on the Balance of Payments -- what we have been doing, where we are, and where we propose to go in dealing with the balance of payments. Your Cabinet Committee briefly discussed and supported this general idea.

I believe the third recommendation -- to defer a message recommending elimination of the gold cover -- makes sense at this time. But we will have to look at this one carefully over the next two months in conjunction with developments in dealing with current pressures on sterling and with unsettled conditions in the gold market.

The fourth recommendation asks you to defer a balance of payments message now and submit it early next session. The message would be built on a good export expansion package -- which is now being developed.

I concur in the four recommendations in Secretary Fowler's cover memo.

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Authority Presing 7-11-78, NSC 8-2780
By reg/osp, NARA, Date 12-4-91

W. W. Rostow

ERF:mst

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THE SECRETARY OF THE TREASURY
WASHINGTON, D. C. 20220

NOV 9 1967

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MEMORANDUM FOR THE PRESIDENT

Subject: Balance of Payments Program Announcement

This memorandum deals with the proposed schedule for handling our 1968 balance of payments program announcements.

It involves somewhat of a revision of the plans discussed at the time of my August 8 memorandum to you.

In the light of intervening developments and current circumstances, to be discussed, I would recommend now that:

(1) There be an announcement on Friday, November 17, of the Commerce Department guidelines for 1968 as well as the new Federal Reserve Board guidelines in a joint press conference in which Secretary Trowbridge, Governor Robertson and I would participate. At the same time I am planning to announce the third quarter balance of payments figures. This is a quarterly release and I only have a one or two day leeway on the date. On September 21 you met with Secretary Trowbridge, Mr. Fried and me and approved the Commerce Department program for 1968. I do not believe we will find it necessary to involve you in any meeting on the Federal Reserve Board voluntary program which we expect to iron out finally at a Cabinet Committee meeting on Thursday, November 9.

If you wish, there could be a simultaneous release on the day of the press conference announcing the voluntary programs ~~And~~ the new Travel Task Force.

Approve with simultaneous
announcement of Travel
Task Force _____

Approve without simultaneous
announcement of Travel
Task Force _____

Approve _____

Disapprove _____

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Authority Memorandum 6-23-78
By Reg/led, NARA, Date 12-4-91

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(2) As Chairman of the Cabinet Committee on Balance of Payments, I submit on December 1 for public release a rather lengthy, detailed report:

- (a) reciting in some detail all that we have been doing and are doing to deal with our balance of payments problem, and
- (b) describing in some detail the background and elements of a long-range program on which the Cabinet Committee has been working which would serve as a backdrop for a later Presidential Balance of Payments Message featuring concrete proposals on an export expansion program early in January.

Approve _____

Disapprove _____

Approve as
modified _____

(3) That you defer sending a Message at this time recommending the elimination of the gold cover requirement.

Approve _____

Disapprove _____

Approve as
modified _____

(4) That instead of submitting a Balance of Payments Message this fall toward the end of this

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session, you submit it as a separate Message very early in the next session.

Approve _____

Disapprove _____

Approve as
modified _____

For your information in considering these recommendations,
I am submitting an attached background memorandum.

Henry H. Fowler
Henry H. Fowler

Attachment

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BACKGROUND MEMORANDUM

At the time of my August 8 memorandum to you and our meeting on August 10, we considered tentatively the presentation of a 1968 and long-range balance of payments program in a mid-September Message to the Congress requesting removal of the gold cover or the separate submission of a Balance of Payments Message later in the fall.

Subsequent events have caused a change in that procedure. These include the delay and deferment of action on the tax bill which is a centerpiece for any meaningful balance of payments program in 1968 or the future, the emergence of an increasingly serious threat to the pound and a highly unsettled and precarious condition in the gold market, and the inability of the Cabinet Committee machinery to arrive in timely fashion on agreed recommendations for a truly meaningful and significant expansion of our balance of payments program.

Another consideration which I will relate to you orally also prompted me to defer requesting you to send forward a Message on eliminating the gold cover. It also underscores the desirability of a public report along the lines recommended.

Given these developments it seems wise to change our planned procedure to the pattern outlined in the cover memorandum. These are some of the elements of the background for the recommendations in the memorandum to which this is attached:

(1) Need to make voluntary program announcement no later than middle of November.

It is necessary to release publicly the guidelines for the Commerce Department voluntary program and the Federal Reserve Board voluntary program so that the elements of the private sector affected may crank the guidance into their forward planning for next year. It is desirable to have the Commerce Department guidelines out so that Secretary Trowbridge and his colleagues can begin a series of individual conferences with companies which appear to be out of line. Originally these figures have come out in the first and second week of December and I think this has been late. In fact, November 17 -- which is the date recommended in the memorandum to which this is attached -- is a little later than the date I was

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originally hoping for.

(2) Balance of payments outlook.

In the first half of 1967 we were running along at a seasonally adjusted annual rate of about a \$2 billion deficit. The third quarter has deteriorated and the prospects for the fourth quarter are no better. While in 1965 and 1966 we had liquidity deficits of \$1.3 and \$1.4 billion, we could double that level this year or end up with a deficit of around \$2.6 billion despite the benefit from a sizeable amount of "Special Transactions" we have been able to negotiate on a temporary basis. It may be even worse, depending upon developments with respect to sterling and the impact these developments have on our own position. (In this regard, we may have some option as to whether to take a few hundred million dollars adverse effect of British actions in the fourth quarter of 1967 or in 1968. While it is our general feeling that it might be better to take it this year -- and we can attribute it to the British -- our thinking has been influenced by what we see as poor balance of payments prospects for 1968 in the \$3 billion range.

These large deficits -- a return to the unacceptable levels of 1964 and 1965 -- underscore as nothing else could underscore the necessity of providing clear and positive stimulants to our industry, that is to those elements which produce the surplus which the Government must have to be able to achieve our international objectives in terms of the defense umbrella we provide, as well as the investment and economic assistance we provide.

These deficits also emphasize the crucial necessity in achieving any long-term equilibrium of neutralizing the foreign exchange costs of our military expenditures in NATO and the Far East to provide financial viability for the long term maintenance of our presence in those areas.

(3) IMF review.

The International Monetary Fund sits down with the Government once a year to go over in considerable detail our

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economic and balance of payments policies and positions. These sessions are scheduled for November 27-30 this year and starting on the 28th or 29th they will focus primarily on our balance of payments posture and program. I would like very much to have the background elements for our program in the public domain by that time even though the implementing Message to Congress on the export expansion program is not before the Congress.

(4) The special need for a positive export expansion program at the next session.

It has been my position for some time that the whole thrust of our long-term U.S. balance of payments program must concentrate on accentuating the positive; that is, encouraging additional exports as well as receipts from direct investment abroad, increased foreign travel in the United States and increased foreign investment in the United States, while containing excessive balance of payments outflow of both the private sector and the government alike.

You underscored this in your May 23 statement. At that time you asked Secretary Trowbridge and the Cabinet Committee on Balance of Payments to undertake a far-reaching export study. On June 28, I held a meeting of the Cabinet Committee on Balance of Payments at which there were reviewed and approved in the broadest terms the thrust and major areas of the 1968 program. Since that time we have been developing this in detail.

In the meantime, with the Kennedy Round behind us and the prospect for five years of periodic tariff reduction and with the increasing pressure of protectionism on the home front which could thwart the advance of the Kennedy Round, it seems very much in our interest to describe now and advance early in the session a positive export expansion program.

The program elements we have developed include:

- Non-tax incentives, administered by the Commerce Department, focusing upon small and medium sized

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corporations, designed to assist them in selling overseas.

- Tax measures, including both administrative and legislative features, which would make exporting much more attractive. This is the keystone of our program -- it would serve to create jobs at home and be the incentive for additional efforts in exporting.
- Financing designed to make export financing more attractive to the private community. We have a couple of administrative measures we can take as well as ones requiring legislative action. The Export-Import Bank figures very prominently in this area and the full cooperation of Mr. Linder will be necessary to achieve these objectives.
- The GATT. It is time for a positive and outward looking re-examination of those provisions of the GATT which are trade restrictive in their nature. These provisions may be trade restrictive in the sense of (1) what a country can do when it is in balance of payments deficits, and they may be trade restrictive; (2) in the area of non-tariff barrier practices; as well as (3) the permissible subsidies which act preferentially for one tax system (EEC, Japan, United Kingdom) and discriminate against a country using another tax system (U. S.).

A review of this type is totally in keeping with the 20th anniversary of GATT and falls in perfect stride with the post-Kennedy Round situation. This would provide another occasion to demonstrate to the world at large and to our protectionists at home that we will use trade expansive and not trade restrictive measures and the rules of the game must be brought up to date to assure this.

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~~CONFIDENTIAL~~

Saturday - November 11, 1967

Mr. President:

~~1. [unclear]~~
2. Pres file

Herewith are memoranda from Gaud, Freeman and Schultze on a \$12 million PL-480 loan to the Dominican Republic.

There is agreement on the size and nature of the PL-480 loan but not on the timing of negotiations. Gaud and Freeman prefer to proceed immediately. Schultze recommends delay until the PL-480 agreement can be combined with our AID Supporting Assistance negotiating package. The delay would be for 4-5 weeks.

Charlie argues that our leverage in negotiating self-help conditions will be increased by making PL-480 and AID one package. He also notes that the Dominicans are obtaining the commodities they need under reimbursable purchase authorizations and the amounts involved are so small that they would have no effect on US prices.

There do not seem to be any compelling reasons why the PL-480 agreement should be negotiated right away. Consequently, Charlie's recommendation of deferral until the PL-480 and AID are combined into one package seems reasonable.

W. W. Rostow

Approve negotiation of
PL-480 agreement now

Defer and resubmit as
part of combined AID
and PL-480 package

See me

DECLASSIFIED
E.O. 12356, Sec. 3.4
NEJ 94-477
By ing, NARA, Date 6-28-95

Attachments

Memos from Director Schultze and Secretary Freeman, and
Administrator Gaud

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EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D.C.

DECLASSIFIED

E.O. 12356, Sec. 3.4

NEJ 94-477

By WJ, NARA, Date 6-28-95

NOV 9 1967

MEMORANDUM FOR THE PRESIDENT

Subject: Proposed P. L. 480 Program for the Dominican Republic

In the attached memorandum, Orville Freeman and Bill Gaud request your authorization to negotiate a \$12.3 million P. L. 480 agreement with the Dominican Republic.

Summary

I have no objection to their basic proposal. But I recommend that we defer the P. L. 480 negotiation until it can be combined with negotiations on an AID Supporting Assistance loan -- which will be ready for review in the next few weeks. By combining the two forms of assistance we maximize our leverage for self-help conditions. We are trying to combine P. L. 480 and AID loan negotiations wherever possible.

Background

The commodities to be supplied are wheat (30,000 tons), soybean oil (15,000 tons), tallow, cotton, tobacco, oats, and cotton yarn. This will be the first P. L. 480 agreement ever to include cotton textiles. (The textile interests got the law changed in 1966 to permit the full financing of cotton yarn and cloth.) The agreement would provide a twenty-year dollar credit, with shipments made during this fiscal year.

Usual marketing requirements would be waived since most imports of these commodities have been financed by AID loans.

This assistance will ease the Dominicans' balance of payments problem and help finance public investment in agriculture. It is also intended to supplement domestic production damaged by drought.

Commitments will be sought from the government of the Dominican Republic to take several self-help actions in the agricultural sector, which will be financed mostly by the local currency proceeds of this loan.

A \$20 million Supporting Assistance AID loan, also to provide balance of payments and budgetary support in FY 1968, has been requested by Ambassador Grimmins. It will probably be ready for your review within the next few weeks. The key purpose of that negotiation is to influence the allocation of the Dominican budget for 1968. The self-help measures to be negotiated with the AID loan will improve the effectiveness of our aid. They will include commitments to

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- increase tax revenues and reduce military expenditures,
- limit inflationary government borrowing,
- establish procedures to promote greater export addi-
tionality for our aid.

A good portion of the \$12.3 million P. L. 480 agreement is a budgetary cost to us. In view of the anticipated reduction in the Supporting Assistance appropriation, it is very important to utilize the P. L. 480 loan to the fullest extent possible to obtain the important overall self-help reforms we seek. \$12.3 million represents a substantial resource for the Dominican budget. Joint negotiation of the P. L. 480 and Supporting Assistance loans would strengthen our bargaining power and be consistent with your desire to treat P. L. 480 and dollar aid as equivalent resources.

Using P. L. 480 this year to negotiate budget and monetary policy will lay the groundwork for similar joint dollar aid and P. L. 480 negotiations next year, when we will need all the economic leverage we can muster. We face a critical negotiation with the Dominican Republic sometime after the municipal elections in May, on the issue of devaluation. Without devaluation, continued high aid levels will bring little, if any, basic improvement in the Dominican economy or in the high level of unemployment.

Although Gaud and Freeman would prefer not to delay the P. L. 480 agreement for joint negotiation, their reasons are not compelling. At worst, delay might cause some political embarrassment. However, holding the P. L. 480 presents no real problem for us or the Dominicans because the commodities are now being shipped under reimbursable purchase authorizations. The amounts of wheat and soybean oil involved in this agreement are so small that they would have no effect on U. S. prices.

I recommend that you defer negotiation of the proposed P. L. 480 agreement at this time, with the understanding that you wish to have it resubmitted as part of a total balance of payments and budget support package.

(signed) Charles L. Schultze
Charles L. Schultze
Director

Attachment

- _____ Approve negotiation now
- _____ Defer and resubmit as part of
combined AID and P. L. 480 package
- _____ Disapprove

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OCT 30 1967

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To: The President

Subject: Public Law 480 Program with the Dominican Republic

We recommend that you authorize us to negotiate a PL 480 sales agreement with the Dominican Republic to provide approximately 15,000 tons of soybean oil, 30,000 tons of wheat, 12,000 tons of tallow, 5,600 bales of cotton, 933 tons of tobacco, 777 tons of cotton yarn, and 1,200 tons of oats, for which the current export market value is \$12.3 million (including certain ocean transportation costs). The proposed terms are payment in dollars of five percent on delivery and the balance over 18 years, with one percent interest during the two-year grace period and two and one-half percent thereafter. The Departments of State and Treasury concur in this recommendation.

Need for Program

PL 480 assistance is needed (1) to supplement domestic production damaged by natural disasters, (2) to help ease the Dominican balance of payments deficit, and (3) to generate local currency to finance increased investment in the agricultural sector. Hurricane Inez in late October 1966 destroyed a large part of the cotton harvest. Since early 1967 a drought has seriously affected the production of basic foodstuffs, particularly peanuts. The drought has resulted in a setback in Dominican efforts to expand agricultural production, an important element of their strategy to reduce imports, to promote new exports, and to lower a chronic balance of payments deficit.

In spite of a number of measures taken by the Government to restrict imports and reduce expenditures of foreign exchange, foreign exchange reserves of the Central Bank have declined by \$16.6 million, almost 30 percent, in 1967. As of the end of August, gross reserves were at a level of \$39.8 million of which only \$11.9 million were liquid. Net reserves were actually at minus \$22.5 million. Due to expectations of a continuing deterioration in the balance of payments, a substantial amount of supporting assistance (FY 1968 funds) will be required during the coming year in order to avoid an economic crisis which could endanger Dominican stability. The PL 480 program will serve to reduce the level of supporting assistance by the amount of dollar exchange saved under PL 480 financing. In addition, the Dominican pesos generated will supplement the limited funds available to the Government for investment in the agricultural sector.

Usual Marketing Requirements

None. Waived because the Dominicans have virtually no free dollars to buy normal commercial imports of the commodities requested, meaning that practically all such imports currently are being financed from A.I.D. loan funds (the use of which cannot be credited against usual marketing requirements). This will not constitute a precedent for any future PL 480 agreement.

Self-Help

Under the Balaguer administration, the Dominican Government is making concerted efforts to diversify and develop the agricultural economy so that new

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E.O. 12958, Sec. 3.6
NLJ 96-275-
By C6, NARA Date 6-30-99

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or improved crops and agricultural activities will provide more food, jobs and income. The rural community development effort is bringing thousands of rural people into active participation in such self-help activities as building community facilities and improving the social, political and economic life. The private sector is now being encouraged to provide agricultural services and inputs such as fertilizer mixing, insecticides, agricultural machinery and equipment, spray services, etc. The Agricultural Bank continues to improve credit policies in such a way that credit will bring about improved practices and increased production and profits.

In negotiating this agreement we will seek commitments that the Government of the Dominican Republic agree to:

- (1) Expand credit for agricultural production and promotion, public and private, by \$10 million in 1968 to finance increased domestic food production and production for export. (This will supplement efforts being undertaken to improve the organization and function of the Agricultural Bank in connection with the A.I.D. loan for \$9.5 million for agricultural credit already made);
- (2) Support a sound price support program as an incentive for increasing production of principal food staples;
- (3) Complete the construction and put into operation at least three storage facilities for agricultural commodities; undertake studies and plans for developing improved marketing systems and facilities for the benefit of producers and consumers;
- (4) Adopt a policy which will make the availability of agricultural credit to individual farmers serve (a) Ministry of Agriculture policies concerning efficient land use and (b) the requirements for efficient operation of the irrigation authority;
- (5) Increase the allocation of budget revenues for agriculture from the current level of 7 percent to 10 percent by 1968 so as to increase the effectiveness of adaptive research, extension services, forest maintenance and protection and other agricultural services to farmers; and
- (6) Undertake a program of agricultural diversification and development on state lands deemed excess to the needs of the sugar industry.

Recommendation

That you authorize us to proceed with the PL 480 sales agreement.

October 12 1967

/s/ William S. Gaud

Orville L. Freeman

Administrator

Secretary

Agency for International Development

Department of Agriculture

Approve: _____

Disapprove: _____

~~CONFIDENTIAL~~

INFORMATION

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Friday, November 10, 1967
9:50 a.m.

Pres file

Mr. President:

This is a serious -- even
massive effort -- by Saigon to
mobilize all its arguments against
the stalemate doctrine.

I shall have a summary prepared
for your use.

W. W. Rostow

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Authority NLS-CBS 19
By ics, NARS, Date 6-22-84

WWRostow:rlh

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62a
Tuesday, November 7, 1967

TEXTS OF CABLES FROM EMBASSY SAIGON (7867 and 10573)

SUBJECT: Measurement of Progress

We plan the following to demonstrate to the press and public that we are making solid progress and are not in a stalemate:

A. Preparation for our own use and as a basis for use with the press of a written comparison of our situation today with the situation at various other times beginning in early 1965.

B. Additional on-the-record press conference by the Ambassadors, General Westmoreland and other senior officers as appropriate.

C. A review of captured documents, POW and Hoi Chanh reports showing North Vietnamese Army and Viet Cong assessment to the end of proving progress by statements made by the enemy himself. (In this connection, where excerpts used from a document, the entire document will be made available to the press. All captured documents will be declassified except where security definitely requires classification. Our present thinking is that we will hold on-the-record briefings whenever some point can be proved by captured documents, which could perhaps result in white paper pulling all elements together to present a complete picture. Of course, analysis of document -- which must precede the briefings -- will take some time.)

D. A concerted effort to select for detailed briefing of the press current stories of progress in a particular area or village -- similar to our current program with respect to a particular military action. (In order to maintain credibility, outstanding failures must also be briefed in the same detailed fashion.)

E. A selection of subjects which show progress of particular units or of particular pacification programs in particular areas, and encouragement of selected pressmen to visit areas for stories in depth. (We are making a list.)

F. Similarly, a selection of subjects about which the press has doubts, and the presentation of concise, hard-hitting briefings designed to allay credibility

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Authority NLS/CBS 10
By ms, NARS, Date 12-14-83

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problems. (These briefings will complement and supplement those mentioned in paragraph C, but will not necessarily depend upon intelligence data.)

G. MACV is instituting this month a monthly J-2/J-3/COC Situation Briefing designed to update correspondents on progress and to place current actions in perspective. (These briefings will be either on-the-record or background, depending on the results of the current study to determine whether an on-the-record approach will permit meaningful briefings.)

H. We have a number of other actions in mind which are incorporated in a Mission-approved press relation plan now enroute to the Department.

In addition, we are considering the following to the same end:

A. How we can best expose the new Government and its plans to the press by backgrounders -- by Thieu and Ky, for example, as plans develop.

B. The possibility of a report to the nation briefing of the press -- perhaps in January -- over U.S. television.

The arguments given for a stalemate and our basic answers are:

A. That we have been here for many years and have been unable to show territorial gains or definite signs of winning. (Answer: There are definite signs of winning where it counts, that is, in the minds of the people. While we cannot measure the support of the people for our side, we see ample evidence that the enemy is fast losing control of the people for his side. His recruitment has dropped off sharply, he is having food shortages, and he is having serious problems collecting Viet Cong taxes. Furthermore, he admits losing control over the people (see captured documents). This is a much more significant measurement of who is winning than territory gained. In fact, 40 percent of Vietnam is uninhabited and 80 percent of the people live on less than 40 percent of the land.

In addition, we must remember that we have not been here for years. Indeed, our first combat troops arrived only a little over two years ago; our first year was spent primarily in logistical build-up, and we have been able to exert the full pressure of our forces on the enemy for only a year and no more. Similarly, the current pacification program only really began with the Honolulu

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Conference, and took over a year to build up any momentum. Its progress is also critically dependent upon allocation of sufficient Republic of Vietnam Armed Forces Security Forces, which were only allocated in 1967).

COMMENT: Although presenting the bare evidence which reveals steady progress in security, pacification, and population control should be sufficient, it is probably necessary to draw and express our conclusions as to the meaning and importance of the evidence. In addition there are specific examples of behavior on the part of the people which reflect attitudes far better than cold statistics. We note that population gains by the Government of Vietnam and the improvement in voter participation since the elections of September 1966 are two excellent examples of statistical evidence of increased control of the population. There is a MACCORDS paper, subject: Pacification Control, dated September 30, 1967, which shows gradual increase in Government of Vietnam control of the population. END COMMENT

B. That there are as many of the enemy in South Vietnam now as there were one year or two years ago in spite of our kill ratios. (Answer: We believe that enemy strength in South Vietnam has declined over the past year or so. For example, largely from captured documents and POW's, we now estimate that Viet Cong/North Vietnamese Army organized unit strength has declined from a peak of 126,000 in August, 1966, to about 118,000 now. In other categories, such as guerrillas, we now believe that earlier estimates were too low because of incomplete intelligence. But we believe that Viet Cong guerrilla strength has declined significantly. We estimated that 7,000 Viet Cong a month were being recruited in early 1966, but that this has declined to 3-4,000 now. The number of troops infiltrated and recruited by the enemy over the last six months has not been as great as his deaths, desertions, and other losses.)

COMMENT: With regard to whether the recruitment estimate will stand hard scrutiny, we have previously submitted our methodology for consideration and can only reiterate our conclusions.

Viet Cong recruitment for 1966 was estimated to be 82,840. This was based on a study of captured documents covering six of the 36 Viet Cong provinces and extrapolated for the remainder. The study was presented by MACV J-2 at the Honolulu Intelligence Conference in February 1967 and subsequently accepted by the intelligence community.

During July 1967, a study of Viet Cong recruitment for the period January 1 to April 30, 1967, was completed. Copies have been forwarded to DIA. Results

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of the study indicate a most probable recruiting rate of 3,500 personnel per month. Spread values with different confidence values were determined. Within MACV, a 60 percent confidence level was accepted giving a range of 3,000 to 4,500 personnel.

While this indicates a sharp decrease from 1966 rates, it is not considered a precipitous decline, instead it represents a continued lowering of Viet Cong recruitment rates over a long period. Captured enemy documents substantiate a decline and frequently discuss the enemy's increasing difficulties in recruiting in South Vietnam. Copies of this documentation are currently being prepared for release.

We do not believe that stating that enemy losses have exceeded enemy input is risky in any way. Known enemy losses have exceeded his average input for any month. We know the enemy suffers losses not acceptable under the criteria for known losses. We believe that recruitment is continuing to decline and our estimate for infiltration for the past six months (6,000) is higher than recorded values for any month since July 1966, except March 1967 (8,600).
END COMMENT

C. That the enemy is able to match our escalation of the war in spite of everything we do as evidence by his recent DMZ shellings and by his ability to mount rocket attacks on U.S. bases such as Danang. (Answer: The enemy has been blocked in his attempts to infiltrate by sea, has suffered tremendous losses in his infiltration via the Ho Chi Minh Trail, and has probably been forced to concentrate on the DMZ as the only course logistically feasible if he wished to make another major effort. While he has tried to achieve major victories by concentration of forces in the DMZ, he has been foiled in every attempt. Had it not been for our bombing in the North, he could probably have concentrated much more power in the DMZ and in the South. Obviously, there is some limitation on his ability to fight where his losses are so great and his recruitment in the South is probably cut in half. This is becoming evident now in all parts of the country except for First Corps. Because of the nature of this war, he cannot be prevented from continuing mortar and rocket attacks on U.S. bases, but these costly incidents do not have much significant military impact.

Basically, the enemy is not accelerating the war. On the contrary, he is changing his tactics in most areas. He is replacing ground assaults with attacks by fire to cut his previously unacceptable losses. These shellings can harass and inflict some casualties, but cannot result in victory.)

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COMMENT: With regard to what we can do now that we couldn't do in 1965, the fact that friendly forces have seized the military initiative from the enemy is in itself indicative of improved capabilities. The major factors which contributed to this improved situation during the last two years are listed below:

Force ratios:

A. 1965: At the beginning of 1965, the Viet Cong were winning the war. Throughout the country, the military initiative was with the enemy. It appeared he intended to isolate principal Government of Vietnam populated centers and Viet Cong forces were nearly sufficient for the task. Against this force, Republic of Vietnam Armed Forces deployed 250,000 troops including 124 maneuver battalions; insufficient force for both offensive operations and support of the Revolutionary Development program. In thesis, ARVN units were forced into a defensive role. The number of ARVN-initiated actions fell off drastically and soon units were only reacting to Viet Cong attacks. As of April 30, 1965, there were only about 36,000 U.S. Army troops in the Republic of Vietnam. Of these, two-thirds were providing combat and combat service support to the ARVN.

B. 1967: During the last two years the situation has drastically changed. There are now 1,258,788 Government of Vietnam/U.S./Free World personnel in Vietnam including 267 maneuver battalions. Concurrently, with the buildup of ARVN and U.S./Free World forces, improved coordination between these forces has been achieved.

C. Results: Improvements in force ratio was a prerequisite for seizing the initiative from the enemy. This has been done and has allowed departure from earlier tactics of enclave holding actions and random responses to enemy-initiated incidents. As a result, we now possess and are utilizing the capability of coordinated offensive planning to clear the enemy forces from vital populated areas and return these areas to Government of Vietnam control. Improved mobility and firepower allows friendly forces to maintain constant pressure on the enemy; consequently, he can no longer feel safe in any part of South Vietnam, and in most areas in avoiding large engagements with friendly forces.

Improved logistics and transportation base:

Capabilities in these areas have been upgraded to permit timely and responsive support of friendly forces in all areas of the country. The following data shows the extent of this improvement:

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	<u>31 Dec 65</u>	<u>30 Sept 67</u>
Number of airfields		
C-130 capable	22	68
Jet capable	3	8
Number of deep draft ports	4	6
Total port throughout capability (ston) per mo.	332,000	1,118,000
Number of ships in hold and waiting - end of mo.	75	23
Cargo hauled by aircraft (ston) per mo.	16,261	83,179
Rail	4,648	15,523
Road	227,400	1,065,406

Other:

A. The communications network is now nationwide.

B. Our intelligence is greatly expanded and improved since 1965.

C. The provincial advisory efforts have been greatly expanded, not only in numbers involved, but more importantly, by forming broad military/civil teams to provide assistance in all aspects of nation-building.

D. We now have much greater firepower (175mm guns, AC-47 "spooky" aircraft, armed helicopters, better small arms) and coordinated fire plans cover large portions of the land area.

E. We have developed new tactics to combat the enemy including "tunnel technology," ambushing techniques, and long-range patrol skills. Coupled with this have been technological advances to assist in detecting the enemy, such as the recently introduced "people sniffer."

F. A Riverine Warfare capability has been developed and is operating effectively in the Delta.

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On the other hand, the change in enemy tactics is, in itself, reflective of the change for the worse in the enemy's capabilities. It is difficult to imagine the enemy deliberately choosing his present course of action and confining his major operations almost entirely to the general DMZ border area if it were not for friendly military pressure. His current tactic of conducting attacks by fire in contrast to ground assaults is further evidence of a decline in capability to wage an aggressive war.

A. The fact that we can demonstrate steady military progress is evidence that the course of the war is not of the enemy's choosing or to his liking.

B. In the first few months of 1965, the enemy roamed the country at will and only his own lack of decision prevented him from mounting an assault on Saigon itself. It was at this critical juncture that U. S. troops began arriving in the country to stem the rising flood of enemy control.

C. The contrast in relative positions between friendly and enemy forces, both military and political, since that time is obviously the enemy controls fewer miles of roads, fewer thousands of the population, less geographical area, and he is unable to prosecute the war in the manner and to the extent he enjoyed in 1965. This change in his conduct has been forced upon him by friendly military pressure. END COMMENT

D. There is no showing of any weakening of the enemy's willingness and capability of continuing the fight, and his more sophisticated weapons are one evidence of this. (Answer: There is solid evidence of the weakening, at least at the lower level, of the enemy's will, especially the southern Viet Cong. His capability is obviously affected by the losses he is taking of men and equipment, the losses he is taking of population in South Vietnam to support him, and his declining ability to recruit in South Vietnam. The enemy's failure to mount a major offensive this year, except a rocket and artillery offensive in the DMZ area, is evidence of his loss of capability. That an enemy can be suffering more than we know is illustrated by the fact that when the Japanese surrendered in World War II, we had no idea that their capability had become as low as it had.)

COMMENT: The inference of the possibility of a sudden collapse of the Hanoi Government similar to that of Japan at the end of World War II could raise questions as to evidence. There is no better way of answering these questions than to point out that one never knows how close a Communist country is to collapse. This is because there is no freedom of expression from which

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any assessment can be made; we do know that the morale of the lower echelons of the Viet Cong and the North Vietnamese Army is weakened as evidenced by captured documents and statements of captives and defectors (for example, Joseph Alsop's "Fear of Protracted War" in the October 27 Saigon Daily News).
END COMMENT

E. That there has been no improvement in the Vietnamese Government or Armed Forces yet our objectives here can be obtained only by the South Vietnamese. (Answer: During the past two years we have had a reasonably stable South Vietnamese Government, and a political evolution which is impressive in a very young country in the midst of war. We now have a Revolutionary Development program which has been well led and which for all its imperfections is better than anything we have had in the past. Although there are many imperfections in the Vietnamese Army, it must be remembered that this Army has been increased by more than 50 percent in the last three years, and leadership was not automatically available for the expanding forces. It has been only during the last year that the main focus has been on qualitative as opposed to quantitative improvement. During this period the Vietnamese Armed Forces have improved. All the usual indicators of combat effectiveness -- killed, missing, weapons captured ratios, desertion rates, operational contact rates -- show a favorable trend. Perhaps most important of all, the Republic of Vietnam Armed Forces leadership now display increasing confidence in their own units' capabilities versus those of the Viet Cong/North Vietnamese Army.)

COMMENT: There are several reasons to believe the comments suggested in a previous Department telegram are invalid. Many intelligence reports and POW interrogations cite shortages of weapons in Viet Cong units. The enemy continues to collect weapons and equipment from battle areas when and where he can. Whenever the enemy overruns a Popular Force post or a Revolutionary Development team, he takes weapons -- thus indicating he needs them. We also know that many of the guerrilla and Viet Cong hamlet militia are unarmed and obviously the Viet Cong would like them to have weapons. Regardless of need, it is universal military doctrine to capture military hardware: U.S. units do so even though need is no object. Thus, indications are that the enemy will capture as many weapons as he can.

The statements concerning enemy weapons lost involved only losses to Republic of Vietnam Armed Forces. They do include caches captured/discovered by Republic of Vietnam Armed Forces as well as Viet Cong/North Vietnamese Army battlefield losses. The fact that caches are included should not denigrate

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the favorable weapons captured to lost ratio. Republic of Vietnam Armed Forces weapons losses include all weapons lost whether carried by a soldier in combat or removed from the armory of an overrun outpost. The enemy caches his weapons as an integral part of his supply/resupply system. Weapons found in caches are a positive loss to the enemy. There has been no change in the criteria for computing weapons captured to lost ratios, therefore, the progression from an unfavorable ratio to a favorable ratio is considered a valid measure of progress.

With regard to ARVN body counts, as a result of a previous query, a MACV project has been underway to verify and, if necessary, improve the credibility of enemy killed body count. Field teams are organized and operate in each Corps to make spot inspections and to investigate the probability of error. Thus far, the indication is that ARVN body counts are accurate. Normal procedures call for U.S. advisors assigned to ARVN units to personally verify the enemy killed and report through advisory channels. As an example, as part of the project described above, ARVN in a recent engagement in First Corps reported 195 enemy killed; this was confirmed.

There is no basis on which to say that much of the improvement indicators can be attributed to the Republic of Vietnam Armed Forces' change from maneuver battalion offensive role to a pacification security role. The Republic of Vietnam Armed Forces is suited to the pacification security role (their cultural mores and attitudes/needs of the people; conversely, U.S./FreeWorld forces have much more fire support/mobility available and are a better match for the North Vietnamese Army units). Tremendous effort has gone into training ARVN units for the pacification task and, though assignment to direct support of Revolutionary Development tends to limit a battalion's capability to conduct large unit operations, it does not limit its capability for combat. A recent study (January - July 1967) by III MAF which compared ARVN battalions in support of Revolutionary Development to those not in support of Revolutionary Development reveals the following:

	KIA Enemy	KIA Friendly	Kill Ratio	Weapons Cap/ Lost Ratio	Enemy KIA per 1,000 Friendly present for Duty Strength
RD Bns	1,259	479	2.6:1	2.5:1	168
Non-RD Bns	965	356	2.7:1	2.9:1	131

Battalions in support of Revolutionary Development compare very favorably with those not in support of Revolutionary Development to this study. Intelligence indicates that one of the enemy's main objectives is to defeat the pacification effort. Therefore, units in support of Revolutionary Development are primary targets for enemy operations. Finally, the improvement indicators cited were, generally, across the board improvements applying equally to those units in support of Revolutionary Development as well as to those not in support of Revolutionary Development. Consequently, though the assignment of a part of the Republic of Vietnam Armed Forces to support Revolutionary Development may have contributed indirectly to some improvement in indicators, it is more attributable to a general increase in Republic of Vietnam Armed Forces military professionalism.

Special examples of recent effective actions by the South Vietnamese Armed Forces in Second Corps and Third Corps are as follows:

A. Second Corps:

Operation KHAM ZEL 167 (2-12 August 1967): Airborne Task Force 1 and elements of the 43rd Infantry Regiment conducted a search and destroy operation in Kontum province to disrupt the enemy's summer monsoon offensive. Two battalions of the 174th North Vietnamese Army Regiment were engaged west of Dak Seang near the Laotain border. More than 9,000 artillery rounds were fired and 150 tactical air sorties flown in a three-day period in support of the friendly forces. ARVN forces overran the enemy defenses. Results: North Vietnamese Army 209 killed (body count) ARVN, 12 killed.

Operation AN DAN 805, a search and destroy operation being conducted by the 41st Infantry Regiment in Binh Dinh province since 12 March 1967 demonstrates long-term effectiveness. Thus far, the operation has resulted in 306 enemy killed as compared to 86 ARVN killed. During the month of September 1967, ARVN forces killed 71 enemy while losing 14 in this operation.

B. Third Corps:

Defense of Tan Hung in An Loc district by the 2nd Battalion, 9th Infantry Regiment on July 11. Shortly after midnight an element of the 141st North Vietnamese Army Regiment attacked the compound at Tan Hung. Over two hundred 60mm, 82mm and 120mm mortar rounds and numerous anti-tank rockets were received in conjunction with a two-pronged ground assault by an estimated 1,000 enemy troops of two battalions. The main attack penetrated

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the inner bunker defenses while supporting attacks tried to breach the perimeter at other points. A counterattack was mounted which destroyed the enemy forces that had succeeded in breaking into the compound. Contact continued for four and one half hours as the North Vietnamese Army tried several assaults and made attempts to evacuate their casualties. Results: 161 North Vietnamese Army killed (body count) and 90 individual and crew-served weapons seized; ARVN lost 20 killed and 2 weapons.

Operation F-8, initially employing the 52nd Ranger Battalion and a task force of the 4th AC Squadron, was launched against the 3rd Battalion, 275th Viet Cong Regiment in central Long Khanh province on June 27.

Having made contact, the 52nd was reinforced by the 35th Ranger Battalion, and the 2nd Battalion, 43rd Infantry Regiment was airlifted in to join the operation. Numerous fire-fights took place from the afternoon of the 27th through the 28th. On the 29th contact was made with a dug-in Viet Cong company and it was driven out of its position in coordination with supporting air and artillery. The objective area contained a battalion size base camp with trench lines and a small training site. Overall results: enemy lost 167 killed (body count); ARVN lost 51 killed.

In Phouc Long province near Song Be during the early morning hours of October 27, the 3rd Battalion, 9th Infantry Regiment, 5th ARVN Division Command Post came under heavy mortar and rocket attack. It was followed by a three-pronged ground attack by the 88th North Vietnamese Army Regiment. Approximately 3,000 artillery rounds, 1,000 mortar rounds, and aircraft supported by friendly units. Results: 134 North Vietnamese Army killed (body count), 1 detainee, 37 individual and 20 crew-served weapons captured; ARVN, 13 killed. END COMMENT

Our politico-military objectives here are basically to contain the invasion from the North while increasing the percentage of the population in the South under Government of Vietnam control, at the same time trying to help establish a democratic South Vietnamese Government with the ability to maintain that control. Viewed in terms of these objectives, we have made steady progress on all fronts since our first combat troops arrived here in March 1965.

Evidence of our progress with respect to the enemy net manpower losses in South Vietnam is evident from the following estimates:

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	<u>Recruiting</u>	<u>Infiltration</u>	<u>Losses</u> <u>(all causes)</u>	<u>Net</u>
1st qtr 1966	7,000	12,000	8,300	+10,700
2nd qtr	7,000	7,100	8,100	+ 6,000
3rd qtr	7,000	5,600	9,200	+ 3,400
4th qtr	5,500	3,300	9,900	- 1,100
1st qtr 1967	3,500	6,300	14,900	- 5,100
2nd qtr	3,400	6,000	15,300	- 5,900
3rd qtr	3,100	6,000	13,400	- 4,300

Note: It should be clearly understood that these figures are estimates and subject to refinement.

COMMENT: Losses quoted are based on known enemy losses (killed, died as a result of combat (DOW/DIS), prisoners of war, and military Hoi Chanh) plus estimated unknown losses from non-battle casualties and simple desertions.

MACV has not arrived at any breakout of enemy killed related to various forces, identification of bodies (North Vietnamese Army, Viet Cong Local Force/Main Force, Viet Cong guerrilla, etc.). In the field this usually cannot be made. When possible, losses are ascribed to individual units. MACV considers that all known losses and estimated losses (non-battle casualties and simple desertions other than Hoi Chanh) are from his armed forces since we know that the enemy has battle casualties which are never confirmed by body count. We recommend that no effort be made to apply percentages of losses to forces and that MACV assumption of all losses against enemy armed forces be utilized. Wounded figures are not utilized in loss figures and are not assessed against the enemy.

We agree that surfacing balance sheets on enemy gains and losses would not be useful at this time. END COMMENT

Evidence of North Vietnamese Army/Viet Cong loss of morale is as follows:

A. Under the Chieu Hoi program there has been an increase of ralliers from about 11,000 in 1965, to about 20,000 in 1966, to nearly 24,000 to date in 1967.

COMMENT: Refugees are not included in Chieu Hoi numbers reported.

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Initial screening of personnel coming under friendly control is conducted by Republic of Vietnam Armed Forces, U. S. / Free World forces, or other agency making contact. Almost immediately, interrogation is conducted by the Government of Vietnam with U. S. observers at which time the Government of Vietnam makes the decision whether the personnel are to be considered Hoi Chanh, refugee, deserter, etc. The Government of Vietnam is hypersensitive about ascertaining the validity of returnee status. The explanation for the sharp decline in Hoi Chanh since April is discussed in detail in another Saigon cable. END COMMENT

B. Numerous captured documents, ralliers, and prisoners of war testify to the difficulties of Viet Cong administrators maintaining contact with their cadre under U.S. military pressure, the difficulties in Viet Cong recruitment and taxation, resulting in forced conscription and higher Viet Cong taxation, the greater difficulties of the Viet Cong in dealing with the population, the difficulties in some areas of obtaining food and medicine, and the increased failure of Viet Cong administrative cadre in many areas.

C. Numerous captured documents, ralliers, and prisoners of war testify to North Vietnamese Army losses of 20-25 percent and more from bombing, sickness, disease and desertion before reaching their destinations in South Vietnam, and to lack of food and medicine and poor morale among North Vietnamese troops after they arrive. However, about ten percent of North Vietnamese Army recover from their sickness and eventually complete the trek. Hence the overall attrition is about 15 percent.

COMMENT: We are currently preparing for release, packages of captured documents and reports of interrogations of prisoners and defectors on the following subjects: recruitment, manpower losses, food and supply problems, health and medical problems, losses, infiltration hardships, friction with Viet Cong ranks, falling morale, and weakening Viet Cong combat effectiveness. END COMMENT

Although there were few documents available two years ago by comparison with what we have now, those which apply tend to document the enemy's declining fortunes. END COMMENT

Evidence of military progress in the South is as follows:

A. The enemy has been unable to mount a major offensive although intelligence indicated he planned to do so last May and June.

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B. The enemy has gained no major victories comparable to his 1965 successes in an engagement of battalion size or larger in over a year.

COMMENT: The best way to counter arguments that the enemy's strategy is to cause maximum friendly casualties and tie down maximum friendly forces while waiting us out at an acceptable cost to himself is to demonstrate that this is his secondary strategy and that he has been prevented from employing his primary strategy of mounting large scale offensives because of steadily improving friendly military strength. The important point is that the enemy has been forced to adopt less than optimum measures, and from the comparisons of casualty rates, territorial and population holdings, Chieu Hoi and refugee data, there is legitimate question as to his success with this secondary strategy. This "waiting strategy" sacrifices population control, the key objective of the war. The enemy would not take this loss if he had any other alternative. END COMMENT

C. A program to neutralize 41 enemy base areas in South Vietnam (that is to say to drive the enemy there from and destroy enemy installations therein) was initiated in June 1966. To date, we have penetrated or attacked almost all these bases, and, as of August 1967, had neutralized 14 of them.

COMMENT: With regard to MACV reporting of enemy base areas, the targeting effort is continually directed to a country wide scrutiny of potential or suspect areas. MACV J2 is able to reconfigure some areas and identify new ones based on new intelligence.

When indicators of possible enemy use warrant it, potential base areas considered for incorporation in the inventory, and when evidence supports it, new base areas are added.

We believe the enemy may need fewer big in-country base areas now versus two years ago, but he does have a need for some since he has less freedom of movement outside these areas. There are numerous examples in each Corps area of big in-country base areas presently used by the enemy including Base Areas 101, 114, 225, 237, 337, 360, 470, and 480.

Out-of-country base areas provide a sanctuary but have limited values as a base from which to conduct country-wide operations. END COMMENT

D. From 1966 to 1967 thus far, enemy killed in action per month has increased 63 percent, enemy weapons captured have increased 65 percent (1,600 to 2,600 per month), enemy mortar rounds destroyed have increased 500 percent (7,500 in 1966, and 19,000 in six months of 1967). Small arms

ammunition captured or destroyed has increased 125 percent (1.1 million rounds in 1966, and 1.5 million in six months of 1967), and enemy rice captured or destroyed has increased nearly 50 percent (13,000 tons in 1966, and 10,000 in six months of 1967).

E. The enemy to friendly killed in action ratio has increased from 3.2 to 1 in 1966 to 4.0 to 1 during the first six months of 1967, and has continued to increase since then. The weapon gained to lost ratio has increased from 2.1 to 1 in 1966 to 3.8 to 1 in the first six months of 1967, and has continued to increase since then.

Evidence of increased effectiveness of the bombing in the North is:

A. There has been a marked increase in the time necessary to effect repairs of bridges, marshalling yards, bypasses, etc., indicating labor and material problems.

COMMENT: Based on all available sources of intelligence and specifically photo reconnaissance of lines of communication facilities in North Vietnam, the enemy is having considerable difficulty repairing bomb damage to highway and railroad bridges. The example shown of the repair of the Hanoi Railroad/Highway Bridge, JCS #13, is not necessarily indicative of the repair capability all along the lines from China to Hanoi. Conversely, in the case of JCS #12, the Paul Doumer Bridge, with a span dropped on August 11, the bridge was not reopened until September 26. Forty-six days were required for this repair in which, no doubt, all available resources were employed. We believe that North Vietnam is deferring more people to the task of rail repair and experiencing ever increasing difficulty in rail restoration efforts. END COMMENT

B. In May 1967, over 150 thousand short tons required transshipment to bypass effects of interdiction on the Northeast Railroad, and in August 1967, the figure had risen over 70 percent to 260 thousand short tons, with a total from May 1 to September 20, 1967, of 932 thousands short tons.

COMMENT: Our estimates of the tons of transshipment required in the Northeast Railroad are based on a DIA estimate that 1,000 short tons of cargo per day were throughput on the Northeast Railroad in 1966 and that the enemy seeks to maintain or improve this figure.

The number of targets carried as disrupted are multiplied by 1,000 tons to arrive at a daily tonnage transshipment figure, since we assume that 1,000 tons will have to be transshipped at each point of interdiction. For instance, On August 13, 1967, 8 targets on Railroad 2 were unservicable. Therefore,

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8 x 1,000 or 8,000 tons of interdiction cost in transshipment were computed for that day. If the enemy is to maintain a throughput of 1,000 short tons per day and obtain maximum use of the serviceable portion of the railroad, at every point of interdiction 2,000 short tons of goods would have to be handled (1,000 off-loaded and later reloaded onto rail cars). A figure of only 1,000 short tons per point of disruption is used because the enemy does not have to transship in all cases where disruption occurs. They have three alternatives: they can wait for repairs and thus tie up valuable rolling stock; off load the material so that the rolling stock can be released; or transship by trucks. Once supplies are off-loaded, they may refinish their journey on trucks and not be reloaded onto rail cars.

These are the assumptions and methods used to arrive at our estimate of transshipment cost. The purpose of the estimate is to show magnitude of disruption and to indicate that we have severely degraded the efficiency of the railroad system and exacted a very high cost for its continued use.

END COMMENT

C. The port of Haiphong has become more and more congested, with ships waiting two months to unload.

COMMENT: Analysis of our holdings indicates that ship congestion at Haiphong has been reduced considerably from the average layover of 43 days during August to 22 days during September, and to approximately 18 days during October, to date. The final layover figure for October may well be even lower. These decreases do not reflect an improvement in port capacities or an alleviation of stockpiles. They do indicate fewer and smaller ships calling at the port and loading of more perishable goods. The stockpiles near Haiphong port remain. END COMMENT

D. Friendly aircraft loss rate has declined from 18.1 aircraft per 1,000 sorties in 1966, to less than ten per 1,000 sorties in 1967.

COMMENT: Information on aircraft loss rates is limited to MACV assigned forces: specifically, those air forces under operational control of 7th Air Force. This does not include III MAF aircraft flying missions in North Vietnam. Statistical data for 1965 is not considered reliable; however, the 6.84 loss per 1,000 sorties appears to be accurate. The 1966 and 1967 loss rates in North Vietnam for combat aircraft under operational control of the 7th Air Force flying strike, reconnaissance, flak suppression, combat air patrol and rescap sorties are: 1966 - 2.87, 1967 through September -

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2.2. If all support aircraft sorties and losses readded, the loss rate per 1,000 sorties over North Vietnam and Laos are: 1966 - 1.6; 1967 through July - 1.2. A breakout of the total sorties for North Vietnam is not possible since some support aircraft transit both Laos and North Vietnam in accomplishing their mission and are considered one sortie. Information relative to naval losses is not available in the Saigon area. We suggest DoD figures including all-service losses be used. END COMMENT

Evidence of pacification progress and increased security and administration control of the population is as follows:

A. Far more resources are now being devoted to pacification. The advent of major Free World forces is also permitting redirection of a growing proportion of the Republic of Vietnam Armed Forces to providing the indispensable close-in security for areas being pacified. Some 53 ARVN Regular battalions, 213 Regional Force companies, and 755 Popular Force platoons are currently assigned to direct security support of the 49 Revolutionary Development campaign areas. The number of Revolutionary Development teams (including Montagnard teams) has risen from 453 at the end of 1966 to 611 on August 31, 1967, and should reach 697 by the end of 1967. The Revolutionary Development Ministry budget rose from 1.8 billion piasters in 1966 to 2.5 billion piasters in 1967, mostly for self-help and other projects to help the people in Revolutionary Development hamlets.

B. Various means are being explored to supplement Revolutionary Development teams, thus speeding pacification, such as civil-military teams found successful in Binh Dinh, the quarter-zone approach found successful in Binh Thuan (some hamlets historically are divided into quarter zones with leaders, and these leaders are now being paid to develop hamlets in accordance with Revolutionary Development concepts) etc.

C. Based on Government of Vietnam data from December 31, 1965, to date, a net of approximately 13 percent of the population has been added to Government of Vietnam control during this period, bringing the present total to approximately 70 percent, with Viet Cong control extending to 14 percent and 16 percent contested. Our Hamlet Evaluation System, which is more conservative than Government of Vietnam, lists 68 percent under Government of Vietnam control compared to 64 percent in January 1967, 17 percent under Viet Cong control versus 19 percent in January 1967, and 15 percent contested. Our figures indicate only 2.8 million people left under Viet Cong control compared to 11.6 million under Government of Vietnam control.

D. The "control" figures are verified by the elections. The recent Presidential elections were held in areas containing approximately 75 percent

of the people in the country, indicating that areas secure enough to hold elections exceed those listing under Government of Vietnam control either by the Government of Vietnam or by our Hamlet Evaluation System. The increase in registered voters between the Constituent Assembly election and the Presidential election was between 11 and 12 percent, much of which was occasioned by the increase in secure area, thus confirming the figures of increased percentage of people subject to Government control.

E. Threat to the enemy of pacification is evidenced by his concerted effort to destroy Revolutionary Development teams. His failure to do so is indicated by the fact that he has failed to destroy any team and, although the number of teams has increased, the number of incidents has remained relatively constant. Improvement of the team fighting ability is shown by a comparison of March and July of this year, both of which months has 126 Viet Cong incidents against the teams, but with the number killed in July (32) only one-third of those killed in March (101).

COMMENT: Since purification of early Hamlet Evaluation System figures is continuing, we do not think it is wise now to compare current Hamlet Evaluation System score with January. However, we do consider that comparison of April and September scores does show the six-month trend. Although Hamlet Evaluation System percentages are not precise to the nearest one percent, we do not see any advantage to rounding off to the nearest five percent. Doing so would disguise trends which are the important product of the Hamlet Evaluation System. Moreover, we have already given the press figures to the nearest one percent. END COMMENT

Evidence of improved communications and logistics, so necessary to pacification, nation building and general economic well-being, is:

A. Of militarily essential roads, those open during daylight hours increased from 73 percent in February 1966 to 85 percent in August 1967. Essential roads which can be traversed without military escort in daytime increased from 29 percent to 50 percent.

B. The port of Saigon, clogged with traffic a year ago, is now able to handle traffic expeditiously. Port capability has increased from slightly over one million short tons handled in the last quarter of 1965 to almost three and a half million tons handled in the second quarter of 1967.

Evidence of improvement of the Vietnamese Armed Forces is:

A. The number of desertions this year is less than half the number for the same period last year and the number of missing in action has dropped from 1,500 in the first quarter of 1966 to 750 in the first quarter of 1967, and to 312 in the second quarter of 1967.

B. The trend of weapons lost has reversed. In the first quarter of 1966, Republic of Vietnam Armed Forces lost 2,850 weapons and captured 1,400, or an unfavorable ratio of two to one. In the first quarter of 1967, Republic of Vietnam Armed Forces lost 2,050 weapons and captured 4,425, or a favorable ratio of two and one-fourth to one.

C. The percentage of contacts to total operations is up. In the first quarter of 1966, there was 360 contacts in 820 large unit operations, and in the first quarter of 1967, there were 380 contacts in 760 operations, or an increase of 15 percent. In small unit operations, the rate of enemy contacts has risen from 2.8 contacts per 1,000 in the first quarter of 1966 to 3.7 contacts per 1,000 for the first quarter of 1967 (a rise of 30 percent) to 4.3 contacts per 1,000 in the second quarter of 1967 (or a rise of over 50 percent). The total number of operations is down because of the present heavy commitment to pacification.

D. ARVN has taken a number of actions to improve its general effectiveness. This includes: (1) increased fighting in close association with American units and the corresponding increased availability of U. S. artillery and air support, (2) new and improved training courses, such as the long range reconnaissance patrol course, graduates of which are integrated with U. S. long range reconnaissance patrols and the recycling of maneuver battalions through a six-week national training center course, and (3) increased promotions from the ranks (during 1966, 500 direct commissions, 20 battlefield commissions, and 4,500 battlefield promotions were awarded NCO's also a special OCS course was offered, from which 1,700 were graduated).

E. Programs have been installed to improve the morale of ARVN, such as a pay increase in July 1966, the establishment of an ARVN commissary, and a free issue of an operations ration in the field beginning July 1967, designed to give greater mobility in the field and to prevent living off the people in the countryside.

F. Far fewer Regional and Popular Force positions have been overrun in 1967 than in the corresponding period of 1966: a revitalized training program has been instituted for Regional and Popular Forces; and U. S.

advisors are working more extensively with Regional and Popular Forces units.

Some recent effective actions by the Vietnamese Armed Forces are:

A. In May 1967, on a combined operation with U.S. Marines in Quang Tri, an airborne battle group struck a regular North Vietnamese Army combat battalion. Result: 250 North Vietnamese Army killed; the airborne lost nine killed. Their use of supporting fires -- air and artillery -- was superb. In a five-week period in May and June, two airborne groups fought four major engagements in First Corps. Result: 833 North Vietnamese Army killed; 63 ARVN killed.

B. In June 1967, in Phong Dinh province in the Delta, two Ranger battalions and two Regional Force battalions finally ran to ground a Viet Cong Main Force battalion that had been evading combat for months. Result: 210 Viet Cong killed; Republic of Vietnam Armed Forces, 5 killed.

C. In July-August 1967, the 34th and 4th Vietnamese Marine battalions participated in operations CORONADO II. The aggressive and gallant actions of these units all but destroyed the 263rd Vietnamese Main Force battalion and the elements of the 514 Local Force battalion were badly mauled. Result: 285 enemy killed; 55 friendly killed.

D. On September 6, 1967, in Quang Tin province at Tam Ky, a company of the 3rd Battalion, 5th ARVN Regiment and elements of the 3rd Troop, 4th ARVN Cavalry Regiment defeated a ground attack by the 70th and 72nd Viet Cong battalions. Result: 217 enemy killed; 21 ARVN killed.

E. On September 8, in Ba Xuyen province, Fourth Corps, an enemy company attacked a Revolutionary Development area. A Republic of Vietnam Armed Forces reaction force counterattacked. Result: 54 enemy killed, 20 sampans destroyed; Republic of Vietnam Armed Forces, 4 wounded.

F. During the period September 8-15, three ARVN Ranger battalions engaged elements of the 2nd North Vietnamese Army Division in the border area between Quang Nam and Quang Tin provinces. The operational results were 212 enemy killed, compared to 32 ARVN killed.

INFORMATION

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Pres file

~~TOP SECRET~~

Friday, November 10, 1967
9:50 a.m.

Mr. President:

Herewith Sec. McNamara forwards
(via Wheeler) Westy's plans for
employing ARVN at the DMZ.

I sent a copy to you earlier.

W. W. Rostow

CM-2737 ~~TOP SECRET~~ November 1967

Memo for the Sec. of Defense from Gen. Earle G. Wheeler
"Disposition of Forces in the DMZ Area"

WWRostow:rln

DECLASSIFIED
E.O. 12356, Sec. 3.4
NEJ 94-477
By ig, NARA, Date 6-28-95

~~TOP SECRET~~

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OFFICE OF THE SECRETARY OF DEFENSE

9 November 1967

MEMO FOR The President

The attached memorandum from the Chairman, Joint Chiefs of Staff, outlines General Westmoreland's plans for ARVN Forces to assume a greater share of the garrison responsibility in the Demilitarized Zone area.

Robert S. McNamara

Robert S. McNamara

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 96-273
By is, NARA Date 5-11-98

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Unclassified when detached
from classified inclosures

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OFFICE OF THE
SECRETARY OF DEFENSE

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THE JOINT CHIEFS OF STAFF
WASHINGTON, D.C. 20301

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DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 96 -273
By is, NARA Date 5-11-98

CM-2737-67
7 November 1967

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Disposition of Forces in the DMZ Area (S)

1. (S) In response to your request concerning plans for ARVN Forces to assume a greater share of the garrison responsibility in the DMZ area, as discussed in our 30 October meeting, General Westmoreland has been queried and the details of his plan are outlined below.

2. (S) The plan provides for ARVN units to occupy specific strong points and combat operating bases in the Strong Point Obstacle System (SPOS). At the enclosure hereto, strong points are indicated as A-1 thru A-6 and combat operating bases as C-1 thru C-4.

3. (S) Plans call for the 2d ARVN Regiment to occupy positions A-1, A-2 and A-3 with one battalion at each strong point position; also with one battalion, the regimental headquarters, reconnaissance company and artillery at the combat operating base C-1. The US Marines will man A-4 at Con Thien and combat operating bases C-2, C-3 and C-4, thereby providing depth and reinforcement to the forward elements. At the present time four ARVN Airborne Battalions are in position at A-1, A-2 (Gio Linh) and C-1 while the 2d ARVN Regiment is being trained for their new role. Two battalions have completed training and will relieve two airborne battalions in the SPOS next week. The remaining two battalions will complete training on/or about 15 November 1967 and will relieve the remaining airborne battalions. The 2d Regiment has been equipped with the M-16 rifle and has received special training on the employment of sensors.

GROUP-3
Downgraded at 12 year
intervals; not
automatically declassified

~~TOP SECRET~~

Upon removal of attachments
this document becomes

~~SECRET~~

See Doc Cont Mr. X

6938

~~TOP SECRET~~

4. ~~(S)~~ The US Marines will continue to occupy A-4 (Con Thien) until after the monsoon and the tactical situation permit the transfer of responsibility to the ARVN.

5. ~~(S)~~ It is significant to note that US elements are in position to reinforce and influence the action in the entire DMZ area.

6. ~~(S)~~ It is recommended that a copy of this memorandum be provided to the President.



EARLE G. WHEELER

Chairman

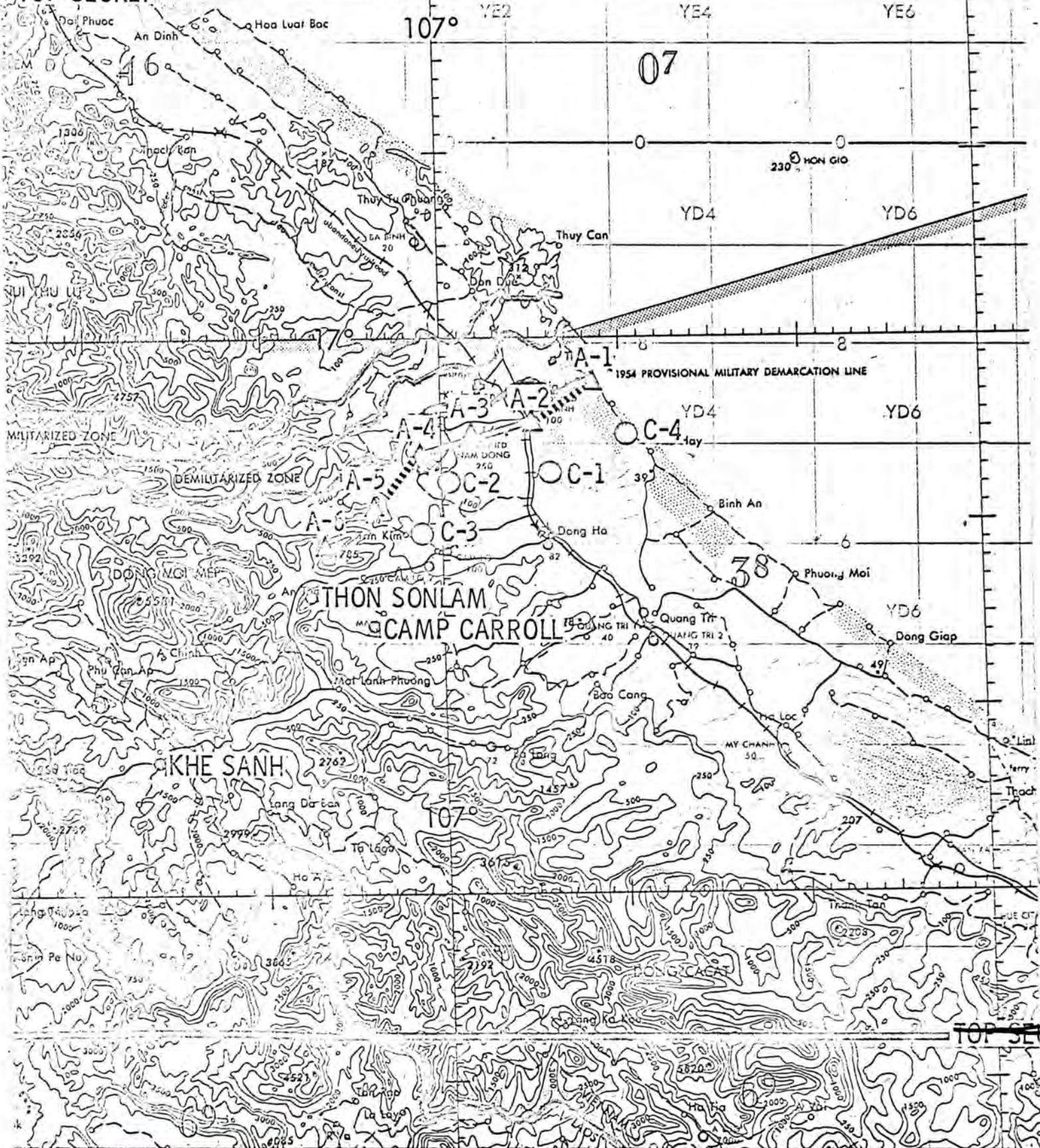
Joint Chiefs of Staff

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632

~~TOP SECRET~~



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DECLASSIFIED

E.O. 12958, Sec. 3.6

NLI 96-273

By is, NARA Date 5-11-98

~~TOP SECRET~~

See Des Cont Nr. X-

6938

64

Pres file

INFORMATION

~~SECRET~~

Friday, November 10, 1967
9:45 a.m.

Mr. President:

Herewith Andy's report of the
recent briefing by Gen. Eisenhower
by Sec. McNamara and Gen. Wheeler.

W. W. Rostow

SECRET

WWRostow:rln

DECLASSIFIED
E.O. 12356, Sec. 3.4(b)
White House Guidelines, Feb. 24, 1983
By kg, NARA, Date 11-21-91




DEPARTMENT OF DEFENSE
THE NATIONAL WAR COLLEGE
OFFICE OF THE COMMANDANT
WASHINGTON, D.C. 20315

9 November 1967

MEMORANDUM FOR THE PRESIDENT

I attach a memorandum reporting on the meeting of Secretary McNamara, General Wheeler and myself with General Eisenhower today. General Eisenhower's principal comments are contained in the last paragraph. As indicated, I will be furnishing him additional information prior to his TV appearance late this month. (He plans to tape it on 24 November; it will be broadcast on 28 November.)

1 Att
as


A. J. GOODPASTER
Lieutenant General, USA



DEPARTMENT OF DEFENSE
THE NATIONAL WAR COLLEGE
OFFICE OF THE COMMANDANT
WASHINGTON, D.C. 20315

DECLASSIFIED

646

9 November 1967

MEMORANDUM FOR RECORD

SUBJECT: Meeting with General Eisenhower, 9 November 1967

Secretary McNamara, General Wheeler and I met with General Eisenhower for an hour and a half in his Gettysburg office this morning. The meeting began at 0830.

I first gave to General Eisenhower a brief memorandum, furnished me by Mr. Bromley Smith, on a question General Eisenhower had phoned me about a few days ago. This related to the reported Soviet offer to accept any necessary inspection if the United States would accept a proposal for disarmament. This was initially made by Mr. Khrushchev in 1960. We and the Russians concluded in mid 1961 that agreement could not be reached, because of disagreement on verification; the Russians wanted to inspect only the disarmament steps taken, whereas we insisted on inspecting the armaments that were left. I also reported further to General Eisenhower on a question he had raised as to whether the Soviets really wanted to see an end to the war in Vietnam. I told him I had discussed the matter further with Mr. Rostow, and also recalled to him that the President had asked me to pass to him just after the Glassboro meeting Mr. Kosygin's statement that he strongly desired an end to the war in Vietnam. I told General Eisenhower that although there are mixed considerations and opinions, the general feeling seems to be that the Soviets would like to see the war end, but feel limited in what they are able to do, because they are sensitive to Chinese attacks upon them within the Communist circle. There is some reason to think that they are genuinely afraid of the possibility of an open confrontation with the United States involving Soviet ships. General Eisenhower said he had thought that there might be some among them who are just as happy to see the United States incurring these losses and heavy costs. Mr. McNamara commented that there may be divided opinion within the Soviet ruling group on this matter, with Mr. Kosygin wishing to see an end to it.

I then gave a brief updating of the Vietnamese war, covering the 3-pronged effort involving the air campaign in the north to cause the NVN to stop or limit their support, control and direction of the

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Authority 71C MR 77-148 #5
By rg/dck, NARA, Date 12-5-91

PRESERVATION COPY

~~SECRET~~

insurgency in South Vietnam, together with our anti-infiltration operations; the ground-air campaign in South Vietnam to defeat the VC/NVA forces there; and the pacification campaign to assist the South Vietnamese to extend their dominion and control in South Vietnam, and to suppress the guerillas.

On the air campaign in NVN, I reported that the level of effort remains high -- running from 300 to 600 sorties a day, more than half against the fixed target system and somewhat less than half against lines of communication, utilizing armed reconnaissance attacks. We are imposing a high cost as evidenced by some 500,000 laborers in their maintenance and repair force. However, the NVN are using less than 10% of their route capacity in Laos, for reasons we do not know with certainty. It is possible that this is all they wish to do in the face of the losses they would suffer if they tried to increase this figure. During the last TET in February they jumped up to an average of 545 trucks (rather than 25) cited by us each day. In any case, we are imposing heavy costs on them, and would impose higher costs if they increased the flow of men and material. I mentioned as another new point that the bulk of the North Vietnam aircraft are now in China, and that recently they have been having some of their aircraft recover in China after engagements over North Vietnam. General Eisenhower asked whether we are exercising the doctrine of hot pursuit. I told him we were not, and General Wheeler confirmed this. I mentioned a recent Indonesian report which indicates that there are extensive damage and disruption in North Vietnam, that a loss of confidence is now seen among their people, and that there has been great damage along their transportation lines. Also, the number of foreign ships and identified imports last month is well below the average in each of the last three years, and the volume of their exports is the lowest since early 1965. Finally, I showed him a picture of the WALLEYE bomb, which is TV guided. At this point General Wheeler described to General Eisenhower the new targets just added to the bombing campaigns through the President's decision yesterday.

I next told him that our anti-infiltration operations continue with a continuation of armed reconnaissance against routes in Laos and surveillance to block sea traffic. I then described, and there was general discussion in detail concerning, the "barrier" system which is due to begin to become operational next month. I covered the anti-vehicle section in Laos, the anti-personnel section in NVN, Laos and SVN, and the coastal, cleared strip barrier section just south of the DMZ. It was made clear that all of this is regarded as an aid and supplement to our current operations, and in no sense a

~~SECRET~~²

~~SECRET~~

substitute or mechanical panacea. General Eisenhower indicated he found the project interesting and militarily sensible.

I next took up the air-ground battle in SVN indicating that the basic casualty trends and ratios continue in our favor. I also pointed out that the main battles seem to be shifting away from the populated coastal plain towards the frontiers, the war zones, the jungle country and the DMZ. I cited the recent battle at Loc Ninh as well as the press report by Mr. Orr Kelly in The Washington Star reporting particularly the views of Generals Brownfield and Palmer. There is some evidence of lessened morale on the Communist side. Captured documents and prisoners indicate they expected to be welcomed as visitors, instead they are losing the people and suffering sickness, lack of food, losses en route and heavy losses in battle. General Bradley states that "We are gaining in the military struggle and in healing the social ills on which the Communists feed."


I next reviewed pacification briefly, indicating that progress is still being made, although slowly, and that the population under GVN control continues to increase. It now comes to 69%, whereas the population under Viet Cong control is down to 16%. I reported in detail on the progress in II Corps. On the other side, more officials and other civilians are now being killed than last year (although less than in 1964 and 1965). I mentioned several political advantages -- inauguration of the government under the new constitution, the lower house elections, the recent strengthened draft decree, the recent trial and conviction for corruption of a province chief, and the check on inflation.

General Wheeler then gave the assessment of the Chiefs -- that we are in fact winning in South Vietnam. Mr. McNamara mentioned a "nibble" we had thought we had received from NVN looking toward negotiations. It has now been broken off by them, however.

General Eisenhower asked a number of questions on which information will be sent to him. He wanted to know how many South Vietnam units are rated as really good outfits, whether economic life is improving in South Vietnam, whether General Westmoreland has the troops that he needs to react quickly and maintain the initiative. He said he is troubled by the sanctuary for NVA artillery north of the DMZ. (We pointed out that the artillery fire has slackened off.) He said he is optimistic that we can win this war. We should give it No. 1 priority. He said he agreed with Mr.

~~SECRET~~

McNamara that we can win this war and solve our social problems at the same time if we manage both efficiently. He plans to plead for a "common sense" approach on the war. He thinks that many of the current charges against it are being made out of confusion and ignorance.


A. J. GOODPASTER
Lieutenant General, U.S. Army

65

INFORMATION

~~SECRET~~

Thursday, November 9, 1967
7:25 p.m.

Mr. President:

This cable from Westy to Bus
Wheeler on steps to project better
ARVN performance will interest you.

Pres file

W. W. Rostow

MAC10685

~~SECRET~~

WWRostow:rlh

DECLASSIFIED
E.O. 12356, Sec. 3.4(b)
White House Guidelines, Feb. 24, 1983
By kg, NARA, Date 11-22-91

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FM GEN WHEELER CJCS WASH DC
TO WHITE HOUSE

O 090320Z ZYH ZFF-1

FM GEN WESTMORELAND COMUSMACV SAIGON

TO GEN WHEELER CJCS WASH DC

INFO ADM SHARP CINCPAC HAWAII

ZEM

~~SECRET~~ MAC 10685 EYES ONLY SECTION ONE OF TWO

SUBJ: PROGRAM TO IMPROVE THE IMAGE OF ARVN AMONG THE US
PUBLIC (U)

REF: JCS 9298, DTG 312237Z OCT 67 (S)

1. I SHARE YOUR CONCERN ABOUT THE SERIOUS PROBLEM WE
FACE IN GETTING THE US PUBLIC TO UNDERSTAND THE VIETNAMESE
WAR, AND ESPECIALLY THE TRULY SIGNIFICANT CONTRIBUTIONS THAT
ARE BEING MADE BY THE ARVN IN THE PROSECUTION OF THIS WAR.
PAST EFFORTS IN THIS DIRECTION WITH THE PRESS HAVE OBVIOUSLY
NOT PRODUCED THE DESIRED RESULTS.

2. THE PROBLEM HAS LONG BEEN RECOGNIZED, AND IN JANUARY

OF THIS YEAR, MAC

V

DIRECTIVE 550-3 (C), ENTITLED "PUBLIC
AWARENESS OF RVNAF OPERATIONS AND ACTIVITIES" (U), WAS
PUBLISHED. THIS DIRECTIVE ALSO ADDRESSES THE PROBLEM OF
MILITARY PERSONNEL MAKING STATEMENTS WHICH DEROGATE THE
WILLINGNESS AND CAPABILITY OF ARVN TO FIGHT. IT SAYS IN PART
THAT COMMANDERS WILL "AVOID DEROGATORY COMMENTS ABOUT RVNAF
UNITS OR COMMANDERS IN CONVERSATIONS WITH NEWS MEDIA REPRE-
SENTATIVES." I HAVE JUST RECEIVED THIS DIRECTIVE, AND FEEL
THAT IT IS FULLY APPLICABLE TODAY, AND AM MAILING A COPY TO
YOU AND ADMIRAL SHARP FOR YOUR PERUSAL.

AS FOR ACTIONS TAKEN HERE, I HAVE JUST DISPATCHED A
PERSONAL MESSAGE TO ALL OF MY MAJOR COMMANDERS CALLING THE
PROBLEM TO THEIR ATTENTION BY A PARAPHRASED SUMMARY OF YOUR
MESSAGE, AND DIRECTING THEIR ATTENTION TO THE MACV DIRECTIVE
MENTIONED ABOVE, ALONG WITH SOME ADDITIONAL GUIDANCE.

4. I HAVE ALSO SENT A LETTER TO GENERAL VIEN, IN WHICH
I EMPHASIZED THE NEED FOR RVNAF TO IMPROVE ITS PUBLIC IMAGE,
ESPECIALLY IN THE US, AND OUTLINED SOME SUGGESTIONS TO DO
THIS, INCLUDING A STRENGTHENING OF THE RVNAF INFORMATION
EFFORT AND GETTING THE WORD TO THE ARVN DIVISION COMMANDERS

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1967 NOV 9 18 59

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Authority JAG 830024
By 18/16, NARA, Date 12/16/91

Poston

~~SECRET~~
~~EYES ONLY~~

THAT THEY MUST BE WILLING TO MEET WITH THE PRESS AND SHOW THEM WHAT THEY ARE DOING IN THEIR AREAS OF RESPONSIBILITY.

5. MY STAFF HAS ENTERED INTO DISCUSSIONS WITH JUSPAO TO DETERMINE IF IT WILL BE POSSIBLE TO ARRANGE WITH THE GVN TO HAVE JOINT US/VIETNAMESE DAILY BRIEFINGS ON THE WAR. AT PRESENT, THERE ARE TWO SEPARATE BRIEFINGS, HELD ABOUT A BLOCK APART AND SEPARATED BY 30 MINUTES IN TIME. EXPERIENCE HAS INDICATED THAT NO MORE THAN 20 PERCENT OF THE CORRESPONDENTS WHO ATTEND THE US BRIEFING BOTHER TO GO TO THE GVN BRIEFING. THUS, THE 80 PERCENT WHO DO NOT GO TO THE GVN BRIEFING GET NOTHING OF THE RVNAF SIDE OF THE STORY. THERE ARE PROBLEMS CONCERNING VIETNAMESE SENSITIVITIES, BUT HOPE SOMETHING IN THE WAY OF A JOINT BRIEFING CAN BE SET UP.

6. STEPS ARE ALSO BEING TAKEN TO OBTAIN A MORE BALANCED PRESENTATION OF THE NEWS OVER AFRTV AND IN THE STARS AND STRIPES. THERE IS A TENDENCY TO HIGHLIGHT US PARTICIPATION, SUCH AS FIRE SUPPORT OR AIR STRIKES, IN OPERATIONS WHERE THE BULK OF THE FIGHTING IS DONE BY ARVN UNITS, RATHER THAN VICE VERSA.

7. A JOINT US/VIETNAMESE TEAM OF INFORMATION OFFICERS

HAS STARTED A SERIES OF FIELD VISITS TO ARVN CORPS AND DIVISIONS TO SUGGEST MEANS OF IMPROVING THE EFFECTIVENESS OF THE INFORMATION EFFORT AT THOSE LEVELS. IN ADDITION, THE US INFORMATION ADVISORY DIVISION IS ACTUALLY PERFORMING SOME INFORMATION FUNCTIONS FOR ARVN, AND ARE AGGRESSIVELY TRYING TO ENCOURAGE AND FACILITATE VISITS BY NEWSMEN TO ARVN UNITS AND OPERATIONAL AREAS.

SSO NOTE: DELIVER DURING DUTY HOURS
PRECEDENCE IMMEDIATE FOR TRANSMISSION ONLY
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~~SECRET~~

EYES ONLY

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 FM GEN WESTMORELAND COMUSMACV SAIGON
 TO GEN WHEELER CJCS WASH DC
 INFO ADM SHARP CINCPAC HAWAII
 ZEM

~~S E C R E T~~ MAC 10685 EYES ONLY FINAL SECTION OF TWO
 8. SINCE HIS ARRIVAL HERE IN MAY, GENERAL ABRAMS HAS
 BEEN DEVOTING A LARGE PART OF HIS TIME TO VISITING ARVN, RF
 AND PF UNITS IN THE FIELD. HE HAS BEEN TAKING SELECTED
 REPORTERS WITH HIM ON SOME OF THESE TRIPS, AND WILL CONTINUE
 TO DO SO. THIS HAS BEEN PAYING GOOD DIVIDENDS. FROM TIME TO
 TIME HE WILL HOLD BACKGROUND SESSIONS WITH SELECTED MEMBERS
 OF THE PRESS, AND THIS WILL HELP. ALSO, BARRY ZORTHIAN IS

WORKING ON ARRANGING A QUESTION AND ANSWER SESSION FOR GENERAL
 ABRAMS WITH US NEWS AND WORLD REPORT.

9. YOU INVITED MY RECOMMENDATIONS ON ADDRESSING THIS
 OVERALL PROBLEM. I HAVE TWO THAT I BELIEVE HAVE MERIT:

A. DOD FUND AND PRODUCE, ON A PRIORITY BASIS, A
 DOCUMENTARY FILM IN DEPTH ON THE RVNAF, WITH EMPHASIS ON ARVN,
 SHOWING HOW SOLDIERS ARE RECRUITED AND DRAFTED, TRAINED,
 ORGANIZED, HOUSED, FED, LED, AND UTILIZED IN BOTH OFFENSIVE
 AND PACIFICATION MISSIONS. THIS FILM COULD BE EITHER IN
 COLOR OR BLACK AND WHITE, BUT MUST BE OF SUFFICIENT QUALITY
 AND DEPTH THAT IT COULD BE RELEASED TO INDEPENDENT AND
 EDUCATION TELEVISION STATIONS, AND ALSO USED FOR ORIENTATION
 OF US MILITARY PERSONNEL. EXTENSIVE FOOTAGE ALREADY EXISTS
 AND SOME OF THIS COULD BE USED TO EXPEDITE AND BROADEN THE
 PERSPECTIVE OF SUCH A PRODUCTION. CONSIDERATION SHOULD BE
 GIVEN TO THE PRODUCTION OF SEVERAL SHORTER FILMS DEALING WITH
 THE ARVN, PRESENTED FROM THE VIEWPOINT OF THEIR US ADVISOR,
 FOR RELEASE THROUGH COMMERCIAL MOTION PICTURE CHANNELS AND FOR
 TV NETWORK SPECIALS AND THE ARMY'S "THE ILLUSTRATION" SERIES.

B. DOD RECRUIT AND ORGANIZE A TEAM OF SPECIAL

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~~SECRET~~ MAC 10685 - FINAL SECTION TWO

CONSULTANTS FROM THE NEWS MEDIA, PUBLIC RELATIONS, AND ACADEMIC LIFE TO TAKE A FRESH LOOK AT THE PROBLEM, AND TO STUDY AND PROPOSE WAYS OF IMPROVING THE ARVN IMAGE AND TELLING ITS STORY TO THE WORLD MORE EFFECTIVELY. CONSULTANTS SELECTED SHOULD HAVE PRESTIGE AND EITHER HAVE SOME MILITARY BACKGROUND OR A KNOWLEDGE OF CONDITIONS IN SEA. SEVERAL NAMES OF PROMINENT PEOPLE WHO MIGHT BE PERSUADED TO PERFORM SUCH A PUBLIC SERVICE COME TO MIND, BUT I AM SURE COMPLETE FILES OF POTENTIAL CANDIDATES ARE AVAILABLE IN DOD. WE WOULD STAND TO BENEFIT BOTH DIRECTLY FROM THEIR SUGGESTIONS AND INDIRECTLY FROM SUCH INFLUENCE AS THEY MIGHT VOLUNTARILY EXERT ON THEIR FRIENDS, ASSOCIATES, AND THE GENERAL PUBLIC.

10. I HOPE THE ABOVE HAS BEEN OF SOME HELP. THIS IS A CONTINUING PROBLEM AND ILL RECEIVE MY CONTINUING ATTENTION.

11. INCIDENTALLY, THE COMPLIMENTARY REMARKS CONCERNING RVNAF MADE BY THE VICE-PRESIDENT DURING HIS RECENT VISIT HERE WERE WIDELY REPORTED, WELL RECEIVED AND VERY HELPFUL.

WARM REGARDS.

SSO NOTE: DELIVER DURING DUTY HOURS
PRECEDENCE IMMEDIATE FOR TRANSMISSION ONLY
515

NNNN

~~SECRET~~

~~FILE ONLY~~
~~NO COPY~~

~~SECRET~~

Thursday, Nov. 9, 1967
6:30 p. m.

MR. PRESIDENT:

Although it contains little -- and reports a clear negative result -- this wrap-up cable from Forrestal to State may interest you.

On prisoners, Harriman asked Mrs. K. to intervene with Sihanouk on behalf of Douglas Ramsey, since Hertz had died.

This was done.

Sihanouk suggested Mrs. Ramsey should write him a letter once more asking for his intercession.

W. W. R.

~~SECRET~~ attachment (Bangkok 5749)

DECLASSIFIED
E.O. 12356, Sec. 3.4
NJ 91-528
By gn, NARA, Date 2-3-93

~~SECRET~~

66a

Wednesday, November 8, 1967

FOR THE SECRETARY OF STATE FROM MICHAEL FORRESTAL

TEXT OF CABLE FROM BANGKOK (5749)

We returned to Bangkok at noon today. So far as we can tell, the trip has had no adverse consequences up to the present other than thoroughly to exhaust Mrs. Kennedy. Sihanouk went to extraordinary lengths not only to be gallant and courteous but also to ensure that every detail of the arrangements was personally supervised by him. Wherever Mrs. Kennedy went in public she evoked what appeared to be a genuinely warm reception from the crowds, even if one discounts for the likelihood of a number of previously arranged "spontaneous" demonstrations.

There was, however, virtually no occasion during which it was possible to have a serious talk either with Sihanouk himself or any of his people on any of the subjects of interest between the U. S. and Cambodia. Naturally, we did not press except in one case in which I am reporting by separate telegram.

The Prince gave us two semi-private meals, luncheon and dinner at his villa in Sihanoukville yesterday. After dinner David Harlech and myself managed to turn the conversation to the problems of Indo-China as a whole and Vietnam in particular. Despite some very gentle prodding, Sihanouk restricted himself to an hour's monologue on the various facets of his own foreign policy. He said that the conflict in Vietnam should be ended as rapidly as possible since the longer it continued the more natural regional differences between the North and the South would begin to disappear. He described what he believed to be real differences in policy between the National Liberation Front and Hanoi which centered mainly on the desire on the National Liberation Front to postpone for a period any prospect on reunification with the North. He was unconvincing on this issue. He repeated that American military, particularly the bombing of the North, made it impossible for Hanoi to consider negotiations.

Both David Harlech and myself agree that nothing he said adds in any way to what is already available in public form through the Prince's various press conferences and the related articles which appeared in the Cambodian press during our stay. I think, therefore, it is not worth giving a detailed report of our conversation at this time.

There was only one occasion during which Ambassador Harriman's recent invitation was discussed. When I told him that I had spoken to Ambassador Harri- man before leaving Washington, he volunteered that he considered Harriman an

DECLASSIFIED

E.O. 12356, Sec. 3.4

NJ 94-478

By CB, NASA, Date 2-22-95

~~SECRET~~

PRESERVATION COPY

extremely well-informed and sincere person, had a high regard for him, and had been distressed at the necessity for cancelling last year's invitation. He did, however, comment that the time was not propitious to receive official U. S. representatives.

I saw the Prime Minister (Son Sann) at 7:15 this morning at my request on the subject of prisoners, since there had been no opportunity to raise this with the Prince before. I am reporting by separate cable on this conversation, insofar as it touched on the prisoner issue. During this conversation, however, Son Sann volunteered that the American press consistently misunderstood and misreported Cambodia's position. As an example, he said that Cambodia was extremely distressed at the presence of a large Vietnamese minority within its border. He said Cambodia went to great lengths to discourage any further immigration and that this would include Viet Cong. He offered as proof the alleged fact that Cambodia had recently arrested a Viet Cong agent who was presently being interrogated in Phnom Penh and who would be sentenced by military tribunal and probably to death. He claimed he had offered the press the opportunity to interview this individual. I did not have a chance to tell Ambassador Deschamps this, and it may be that you will wish to ask Ambassador Deschamps to follow this up.

Son Sann vehemently asserted that the Prince had no desire to act as arbiter or as even a go-between in the present conflict. He rather grudgingly admitted that the situation might change if there were a change in circumstances which he refused to define. On the question of relations between the U. S. and Cambodia he volunteered that an improvement was not possible on the official level at the moment and referred to a statement he said had appeared in the New York Times this morning, allegedly quoting a U. S. spokesman as having once again refused to guarantee (sic) Cambodia's borders. He very gently warned that Mrs. Kennedy should not be upset if Monseigneur Felt was called upon to respond harshly to this alleged statement. Son Sann did, however, take care to distinguish between official relations and visits of private persons such as Mrs. Kennedy. He also said that for the time being, the Australian Ambassador would be the best channel for any communications between the two governments.

As I was taking leave, he made critical remarks about the American administration as distinguished from the American people which required me to respond. Despite this, the interview was extremely friendly and on the major point of prisoners, he was helpful.

In summary, both David Harlech and I agree that the visit did not give rise to any hopes regarding the early reestablishment of official relations with Cambodia, nor did it suggest any new avenues of communication which might be useful in connection with the general problems of Southeast Asia. Nevertheless, of a purely

general level, the trip went off without a hitch (with a minor exception I reported Monday) and may have helped turn Cambodia's attention somewhat more to the west.

David Harlech leaves tonight. We plan to remain in Bangkok until midnight Friday and will arrive in Rome midday Saturday. I believe Mrs. Kennedy plans to return to New York Wednesday. I shall return on Sunday and will, of course, be available should you wish to see me anytime thereafter.

Mrs. Kennedy, David Harlech and myself send you both our warm personal regards.

(Comment from Unger: With regard to Mike's reference to a follow-up by Deschamps on the Viet Cong agent, I will be happy to try to generate this directly through the Australians here if you would find such a channel preferable. I will await your word.)

67

ACTION

Pres file

Thursday, November 9, 1967 -- 6:00 p.m.

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Suggested Message to President Marcos

Manila and other areas of the Philippines were heavily damaged over the weekend by Typhoon Welming. Full reports are not in, but it is estimated that several hundred lives were lost. A message of sympathy to President Marcos along the attached lines would be appropriate.

W. W. Rostow

Message approved _____

Disapproved _____

67a

SUGGESTED MESSAGE

His Excellency
Ferdinand E. Marcos
President of the Republic
of the Philippines
Manila

I was distressed to learn of the heavy damages and tragic loss of lives caused by Typhoon Welming in the Philippines. On behalf of the American people, I send heartfelt sympathy and condolences to you and to all those who have suffered from this disaster.

Sincerely,

Lyndon B. Johnson

68

Thursday, November 9, 1967 -- 12 Noon

Pres file

Mr. President:

Attached, for your signature, is a note to former Prime Minister Maiwandwal of Afghanistan, who's recuperating after successful surgery at Andrews Air Force Base. He wrote you a thank-you note for sending flowers.

W. W. Rostow

RPM/vmr

68a

Dear Mr. Prime Minister:

Thank you for your kind note.

It was wonderful to learn that your operation went well. I know from my own experience how unpleasant this kind of business can be. I hope you are resting comfortably now and that your recovery will be rapid and complete.

Mrs. Johnson joins me in sending warmest regards and best wishes.

Sincerely,

His Excellency
Mohammad Hashim Maiwandwal
Prime Minister of Afghanistan
c/o Andrews Air Force Base Hospital
Camp Springs, Maryland

LBJ/RPM/vmr 11/9/67

69

Pres file

~~CONFIDENTIAL~~

Thursday, November 9, 1967

MEMO FOR THE PRESIDENT

Mr. President:

Attached is a preliminary estimate of the new Vietnamese Cabinet. It looks like a competent but fairly lackluster group. We expect a more detailed estimate from the Embassy in the next day or so. The geographic distribution of the new Cabinet looks quite good.

W. W. Rostow

Att.

DECLASSIFIED
E.O. 12356, Sec. 3.4
NEJ 94-477
By WJ, NARA, Date 6-28-95

~~CONFIDENTIAL~~

69a

~~CONFIDENTIAL~~

Viet-Nam Political Situation Report

November 9, 1967

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 94-478
By 05, NARA, Date 2-22-95

New Vietnamese Cabinet:

The new Cabinet was announced today. It includes 17 ministers, 7 vice-ministers, 2 secretaries, and 2 directors-general attached to the Prime Minister's office. Only 3 are military officers -- the Ministers of Defense, Interior, and Revolutionary Development.

Tran Van Do was retained as Foreign Minister and Truong Thai Ton resumed his former position as Economics Minister. General Nguyen Bao Tri is Revolutionary Development Minister, although his responsibilities are greatly reduced from those of his predecessor General Thang.

The Cabinet seems to have fairly good religious and regional balance. There are 13 Southerners, 9 Northerners, and 6 Central Vietnamese. However it is not clear at the moment whether the more radical or activist Southerners are represented.

The Cabinet is composed primarily of technicians rather than political figures. It does not include any of the defeated candidates. In fact, it contains few new faces. There are seven incumbents carried over from the Ky Government (though some titles or positions have changed) and seven others who were already in second-level positions in the Ky Government. The newcomers appear to be mainly technicians.

We are awaiting the Embassy's assessment of the new lineup. Our own immediate reaction is that the Cabinet is politically unexciting though probably technically qualified.

A list of the new ministers, including their previous positions, is attached.

One of the best, sub-cabinet appointments is that of Nguyen Ngoc Linh as Director General for Information. He is the current director of Viet-Nam Press, and is young, intelligent and able. He should do more than any previous holder of this post to improve the GVN's press relations and information programs.

~~CONFIDENTIAL~~

The new ministers and their previous positions,
in parentheses, are as follows:

Prime Minister (Lawyer and campaign manager
for Ky).....Nguyen Van Loc
Minister of Foreign Affairs (Minister of
Foreign Affairs).....Tran Van Do
Minister of Defense (Chief of Staff, Joint
General Staff).....LtGen Nguyen Van Vy
Minister of Revolutionary Development
(Minister of Information and Chieu Hoi).....LtGen Nguenyn Bao Tri
Minister of Chieu Hoi /Open Arms/ (Secretary
of State for Social Welfare).....Nguyen Xuan Phong
Minister of Interior (Minister of Security).....LtGen Linh Quang Vien
Minister of Economy (Asst to the Prime
Minister).....Truong Thai Ton
Minister of Finance (DirGen of Budget &
Foreign Aid).....Luu Van Tinh
Minister of Agriculture (Asst to the Prime
Minister).....Ton That Trinh
Minister of Labor (Economics Professor, Dalat
University).....Pho Ba Long
Minister of Communications and Transport
(Head of the state-owned Nong Son Coal Mine)....Luong The Sieu
Minister of Public Works (Unknown).....Buu Don
Minister of Justice (2d Deputy Chairman of the
Peoples' Army Council).....Huynh Duc Buu
Minister of Culture and Education (Dean of
Can Tho University Law School).....Dang Kim Dong
Minister of Veterans (Sec of State for
Veterans Affairs).....Nguyen Tan Hong
Minister of Health (Sec of State for Health).....Dr Tran Van Luy
Minister of Social Welfare and Refugees
(Special Commissioner for Refugees).....Nguyen Phuc Que
Minister of Minorities (Special Commissioner
for Montagnard Affairs).....Paul Nur

Pres file

Thursday - November 9, 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Chamizal Settlement Plaque

You agreed to Commissioner Friedkin making 300 copies of a plaque commemorating the Chamizal Settlement for distribution to middle level officials involved in the settlement. A picture of the plaque is at Tab B.

As was done in the case of the commemorative gift following the 1964 ceremony, Commissioner Friedkin wants to accompany each plaque with a facsimile of a presentation statement from you (Tab A). The statement you signed in 1964 is at Tab C.

I recommend that you sign the statement at Tab A.

W. W. Rostow

Attachments

Tab A - presentation statement for signature.

Tab B - picture of plaque to accompany statement.

Tab C - 1964 statement.

November 9, 1967

THE CHAMIZAL SETTLEMENT

People in all walks of our national life helped to give meaning to the words of the Presidents of the United States and Mexico appearing on the accompanying plaque. Each individual in his own way reflected the unity of purpose that guided the two nations toward a conciliation of differences in The Chamizal Settlement.

Symbolically depicted in the background is the mountain pass where the early settlers founded the cities of El Paso and Ciudad Juarez. Through that pass flows the Rio Grande, now changing course for the last time but uniting the two communities as it becomes the international boundary.

This plaque is presented to you in recognition of the valued service you rendered in making The Chamizal Settlement possible.

/s/ Lyndon B Johnson

LBJ/WGBowdler:mm
November 9, 1967

706



70c C

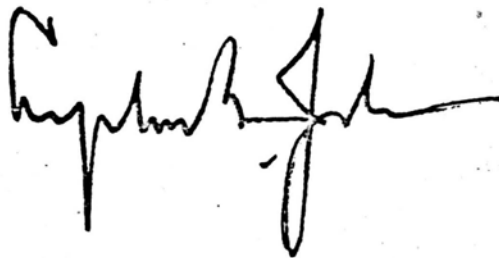
'THE WHITE HOUSE

WASHINGTON

CHAMIZAL COMMEMORATIVE SILVER MEDAL

The United States Mint at Philadelphia struck three hundred and eighty silver medals to commemorate the meeting between the Presidents of the United States of America and the United Mexican States, at El Paso, Texas, on September 25, 1964. At this meeting, we celebrated the Chamizal Convention and dedicated a boundary marker located on the new boundary between the United States and Mexico.

The Chamizal Convention is the result of an effort, of many people, over many years, to build a strong, warm, and everlasting friendship between the United States and Mexico. This silver medal honors those who participated in that effort. The crossed flags of the United States and Mexico on the face of the medal symbolize the unity of the people of our two free and independent countries in the cause of liberty and peace.



INFORMATION

71

~~SECRET~~

Wednesday, November 8, 1967
7:05 p.m.

For file

Mr. President:

Herewith Amb. Bunker's latest,
with key passages marked.

W. W. Rostow

Saigon 10641

~~SECRET~~

DECLASSIFIED
E.O. 12356, Sec. 3.4(b)
White House Guidelines, Feb. 24, 1983
By kg, NARA, Date 11-22-91

WWRostow:rlm

Wednesday, November 8, 1967

FOR THE PRESIDENT FROM BUNKER (Saigon 10641)

Herewith my twenty-eighth weekly telegram:

A. General

In the aftermath of the elections, the inauguration, and National Day, a rather general feeling prevails that hopefully a new era is beginning in South Vietnam. This has been reflected in comments in the press that a new historic period is opening and in urging all the people "from the battlefield to the rear" to join together in renewed effort. Pride has been expressed that a popularly elected government with a constitution guaranteeing democratic freedoms for the entire people has come into being; and confidence has been expressed that the Second Republic would be able to instill enthusiasm in the whole people for their nation-building work and for the struggle against Communist aggression.

Among the voters there was a feeling of pride tinged with some skepticism; they had turned out in large numbers and had done their job, now it was time to see whether the newly elected candidates could do theirs.

The intense activity that preceded the inauguration of the President and Vice President and the installation of the Lower House of the Assembly last week has been followed by a noticeable slowing of the pace of political activity this week. This has been chiefly concentrated in the efforts of the new Prime Minister to form his government and in the organization of the Senate, and in efforts by Thieu and Ky to marshal support for the government among members of both Houses of the Assembly. Loc told me yesterday that he had completed his Cabinet list and that announcement would be made November 9, which apparently is an auspicious day. I hope to be informed of the identities of the new Cabinet members when I see President Thieu later today.

The Assembly is continuing its work on organization and has completed Part I governing the organization of the Upper House and is continuing its work on regulations and procedures. It is hoped that the entire rules which may include as many as 200 articles can be completed in another two weeks.

In the meantime, there are a number of forward steps that have been taken by the government, some of which I have previously reported:

1. The decree covering partial mobilization;
2. The decree transferring collection of land taxes to the local governments;

~~SECRET/NODIS~~

DECLASSIFIED
E.O. 12356, Sec. 3.4
NJ 94-478
By CS, NARA, Date 2-22-95

3. Stepping up of the moves against corruption;

4. The process of selection and screening of new personnel for the positions of Province and Deputy Province Chiefs who would be responsible to the central government instead of to the Corps Commanders. Ky informed me yesterday that great care has been taken in the process of selection and screening, that he expected to have this completed by the end of this month, and that he hoped to have the new personnel trained and installed by February 1.

The transfer of power to collect land taxes to the local communities is a long step forward toward the revitalization of local government. I have urged on both Thieu and Ky that having done this, the next logical step would be to transfer the control of land reform to the Village Councils. I believe that this could be done through the issuance of an ordinance and I have given them a draft of an ordinance which we had prepared. Both expressed interest in the proposal and I shall be following up with them.

Another matter which I have discussed with them and shall be continuing to talk with them about with considerable urgency is the question of the forthcoming budget and economic stabilization. I have reported that Ky had informed me that a ceiling of 95 billion piasters had been established for next year's budget. Since then, however, an increase in military and police pay to take effect January 1, 1968, has been announced and yesterday Nguyen Huu Hanh, Governor of the National Bank, expressed to me doubt that the budget could be held below 100 billion piasters. In this connection, I have expressed to both Thieu and Ky our view that it is absolutely essential that taxes be increased. I have left with them a memorandum proposing an increase in petroleum, oil, and lubricant taxes which in our view would be the easiest and quickest way to raise additional revenue. Yesterday, however, Hanh expressed to me the view that other taxes, especially import tariffs, should be increased and the tax collection system must be further improved. If these things were done, he felt that the gap between revenue and expenditures could be held to 15 billion piasters.

In a talk with Ky yesterday, I found him in a good mood and was encouraged to see that he has now focused on moving ahead with vital government programs which hopefully will bring early and constructive results. I also have the impression both from his comments and from sources near Thieu that they are both keeping more closely in touch on development of political support for the government.

Ky commented at some length on what his major concerns will be in the new government. The anti-corruption program would be one. He noted that in the Third Corps alone, some 75 officials have been removed for corruption this year. Ky also plans to devote a good deal of his time to pacification and coordination in this field among Generals Thang, Vien, and Tri, and he will personally spend a good deal of his time in the provinces, examining the situation. Ky said he was worried about the generally poor conditions under which the Republic of

Vietnam Armed Forces operate, citing problems of inadequate pay, difficulties in getting food, etc., observing that something needed to be done for them but the Government of Vietnam simply didn't have the money.

I told Ky I had no official instructions yet regarding a possible standdown over the forthcoming holiday periods but would like to know his personal views, since he had been so intimately involved in the matter last year. Ky said he thought we should agree to have a standdown, preferably 24 hours for Christmas, 24 hours for New Year's, and 48 hours for Tet. Since these are traditional holidays, he thought it important that we take the initiative rather than let Hanoi or the Viet Cong get the benefit of it.

President Thieu has prepared a draft top priority program and a national policy statement covering a short-term and a long-term program, respectively. They are still not final and may be subject to further review and change before they are made public, presumably at about the same time as the announcement of the formation of the Cabinet. Texts of these drafts were transmitted in previous reports. The top priority program covers matters touched on in general terms in President Thieu's inaugural address on October 31, but they are presented in pithy and direct language. The program calls for:

1. Demonstrating readiness for negotiations by concrete actions, "such as direct contacts with Hanoi and resorting to mediation by other countries." At the same time, an increased effort will be made to convince world opinion of the justice of the nationalist cause.
2. Protecting good morality in society by concentrating "recreation areas far from the population" (sic). "All forms of debauchery and violations of morality must be repressed ..."
3. Halting further price increases and regularizing the supply of goods.
4. Reinforcing order and national discipline.
5. Encouraging school children, students, and civil servants to take part in civic action projects and putting their abilities to work in the service of the nation.

The program is quite ambitious and covers matters such as No. 2 above which have been the object of government action in many countries throughout history, without any noticeable effect on the situation. The reference to locating "recreation areas far from the population" may be an indirect reference to the allegedly demoralizing influence of American forces in urban areas of Vietnam, which has been referred to on a number of occasions recently in the Saigon press.

I might add that I think the behaviour of the American forces here has been very good indeed, but there has been a perhaps inevitable increase in prostitution and relating establishments, and this may be the basis of the concern expressed in President Thieu's program. The item on "halting further price increases and regularizing the supply of goods" is a matter in which we have been deeply concerned.

The national policy statement is a much more detailed, longer-range program. In effect it contains all the elements in the "democracy, peace, and social justice" program which we gave President Thieu in September. The order in which the elements are presented is different from our draft, and they are appropriately restated in the Vietnamese manner. The principal points in the program are as follows:

1. Part I - National Policy

a. The Vietnamese people have forcefully demonstrated their desire to live under a democratic regime and have expressed this will in the constitution.

b. The Communist war of aggression is a dangerous menace to Vietnamese democracy.

c. We will demonstrate our good will to end the war by peaceful means. But the Republic of Vietnam will stand up against any form of aggression.

(However, President Thieu has added the point that "in the context of a negotiation with North Vietnam, we will not regard the Front for the Liberation of South Vietnam as a political party, for the simple reason that it is truly an instrument for aggression by the Communist North in particular and by international Communism in general. We will gladly welcome those who have adopted the wrong way and decided to come back. That is the open arms policy that we have started long ago and will always continue to implement.")

d. Building of democracy and reformation of society to carry out the national policy of Revolutionary Development and to develop the nation in the economic, education, and social fields.

2. Part II - Guidelines for Actions

a. Restoring peace. Making a greater effort in the field of foreign affairs. Strengthening our armed forces. Improving mass motivations that strengthen the people's determination to fight Communism in North and South Vietnam. Reaffirming the elements of a national conciliation program.

b. Building democracy. Completing the democratic institutions provided for in the constitution. Carrying out elections of city mayors, decentralizing power to the local level, guaranteeing democratic freedoms.

c. Reforming society. Proclaiming a state policy of rural reconstruction. Maximizing industrial production. Increasing the effort in the financial field to improve tax collections. Developing programs for rebuilding the cities. Developing and expanding cultural and educational programs. Devoting particular interest to programs aimed at training youth to serve the nation. Developing the public health service to protect the people's health.

This is even more ambitious a program than the top priority program described above. Moreover, the major portions of it will require legislation which will have to be approved by the National Assembly. While the Upper House will probably be reasonably receptive to the main lines of President Thieu's programs, we do not have as clear a view of the situation in the Lower House. This will be discussed more fully in the political section below. On the other hand, it is not without value to set one's sights fairly high, particularly in a country in the condition of South Vietnam, since the people need to see evidence that the government is concerned about their problems in a number of areas. The top priority program and the national policy paper certainly express this concern.

General Gavin left Saigon November 8 after a week's visit to Vietnam. General Westmoreland, who has known General Gavin for years, made up a very comprehensive program of briefings and visits to the major areas of South Vietnam. In addition, he received a Civil Operations for Revolutionary Development briefing and spent an hour and a half with Bob Komer November 6. General Gavin had also met with some of the resident American correspondents here, including some of the most critical ones, so there will be no basis for any possible complaints of "brainwashing". I had General Gavin for lunch on November 1 and saw him again yesterday. He also saw Thieu for about an hour, and Ky briefly. He seemed pleased with the program that was worked out for him and seemed impressed with the quality of the American military units he visited. However, he was very non-committal on his overall impressions.

In a statement he left for the press, he noted that he had been exposed to both civilian and military problems during his visit. He concluded, "There are numerous problems in Vietnam and, as the press well knows, it takes time to come to precise conclusions regarding them. A statement to the press at this time would be premature."

B. Military

There were two military actions of particular interest which came to a point of development during the past week. Early in the morning of October 29, elements of the 273rd Viet Cong Regiment initiated a mortar attack on Loc Ninh District in Northern Binh Long Province, about 13 kilometers south of the Cambodian border. The mortar barrage was followed by a heavy ground attack, with the enemy troops firing small arms and B-40 rockets against the defending force of three Civilian Irregular Defense Group Companies, a Regional Force Company, and a Popular Force Platoon. The ground attack penetrated the outer perimeter of the compound, but Civilian Irregular Defense Group and Army of the Republic of Vietnam reinforcements arrived, and the Viet Cong were expelled. Sporadic contact continued throughout the day until the enemy broke contact in the afternoon, leaving behind 148 dead. Scattered contacts continued in the same area October 30, and early in the morning of October 31, a second major mortar and ground attack was launched by the Viet Cong against the sub-section compound in Loc Ninh District. This attack was also repulsed, and from the three-day contact with Vietnamese forces, the Viet Cong lost 371 killed and a large amount of weapons and material lost. In follow-up operations in the same area by U. S. forces, up to November 4 the Viet Cong lost an additional 369 killed.

Shortly after midnight on the morning of October 27, the 89th North Vietnamese Regiment attacked the command post of the 3rd Battalion, 9th Army of the Republic of Vietnam Infantry Regiment, near Song Be, Phuoc Long Province, following a barrage of more than 200 rounds of mortar and recoilless rifle fire. Three waves of North Vietnamese troops, whose total strength was about 800-1000, assaulted the perimeter of the Army of the Republic of Vietnam Battalion but were thrown back by the defenders, who numbered less than 200. The results of this action clearly demonstrated the fighting spirit of the Army of the Republic of Vietnam troops when properly armed and led. The enemy suffered 134 killed and lost 27 individual and 20 crew-served weapons. Friendly losses were 13 killed, including six Army of the Republic of Vietnam troops and seven civilian laborers.

However, in a subsequent action on November 5, only a short distance from the scene of the victorious engagement of October 27 near Song Be, described above, the enemy killed 87 Army of the Republic of Vietnam 5th Division and Ranger troops, plus nine members of a hard labor battalion. Thirty-three Army of the Republic of Vietnam were wounded, and 25 Army of the Republic of Vietnam troops are missing. In addition, 23 carbines, 24 rifles, and six crew-served weapons were lost to the enemy. Fifteen enemy troops were killed. General Westmoreland considers this one of the Army of the Republic of Vietnam's most serious defeats in several months. This engagement further underlines, in a negative sense, the importance of good troop leadership.

C. Political

I have reported in the General section on progress in the organization of the Senate.

The Lower House meets November 8 in its first working session to begin in the process of organization, adoption of rules, and ultimately, election of a permanent Chairman.

We were encouraged to learn from my conversation with Vice President Ky on November 7, as confirmed by President Thieu's brother, Nguyen Van Kieu, to the political counselor the same day, that Thieu and Ky seem to be working more closely together to assemble a bloc of perhaps as many as 80 members of the 137-member Lower House to support the government's programs in the Lower House. Ky claims to have some 50 members already. In the Upper House, the picture of support for the government is even better, with the likelihood that at least 40 and perhaps even 50 of the 60 Senators will be inclined to support the government programs.

Vice President Ky had some interesting remarks to make to me on November 7 on the structure of future political parties. He said he thought the future parties should come out of the National Assembly and out of the grass roots, rather than be imposed by the government, as happened during the Diem Administration. President Thieu expressed similar views to me on November 4, indicating that some of the Senate lists might form the nucleus of a pro-government party. Ky also said that Senator Tran Van Don had asked him to head the party which Don is in the process of forming, but Ky said he had refused.

There have been several North Vietnamese developments of interest, although they imply no change on the issue of war and peace. There were four changes in the North Vietnamese Cabinet and three changes at high levels of the North Vietnamese government, largely focusing on the economic sector and on the system of military justice. The switches appear to be organizational and administrative rather than political and seem to be aimed at improving the management of the severely-strained North Vietnamese economy. It is particularly noteworthy that all the Democratic Republic of Vietnam governmental changes in the past year (in November, 1966 and February, 1967) have involved economic and financial positions and almost the same individuals, reflecting continuing and unresolved difficulties in these areas.

The First Secretary of the Communist Lao Dong Party in North Vietnam, Le Duan, led the North Vietnamese delegation to the celebration of the Fiftieth Anniversary of the Communist Revolution. Neither the speech Le Duan gave in Moscow November 3 during the Joint Meeting of the Communist Party Central Committee and Supreme Soviet, nor the article he authorized that appeared in the Hanoi Party Daily Nha Dan the same day contained any departures from well-established North Vietnamese positions. He balanced praise for the Soviet Union

with praise for the "Communist Revolution of the 700 million-strong Chinese people" in a typical North Vietnamese balancing act.

The concern we felt over the interruption of the convoys up the Mekong River to Cambodia was relieved November 3 when a convoy of our general cargo ships, two petroleum tankers, and one other vessel proceeded upriver to Phnom Penh. River traffic had been interrupted since October 16. The Vietnamese resentment of certain Cambodian actions remains, however.

There has been comparative quiet on the Buddhist front the past week. I say "comparative" advisedly, for one of the extremist An Quang leaders, Thich Ho Giac, delivered a fairly inflammatory sermon November 4 in which he praised the five Buddhists who have committed suicide by fire since September 1 for having "struggled for the restoration of the Buddhist Church's sovereignty of its legal status, and for its right of life." Thich Ho Giac may be excused in part for his remarks, for he was reacting to remarks attributed to the moderate leader, Thich Tam Chau, in the press, quoting him as saying, "If they want to die, I will give them coffins, but they cannot scare anyone with their suicides." However, there have been no mass protests or demonstrations. There are indications that some of the moderate Buddhist laymen would like to see the principal Buddhist antagonists, Thich Tri Quang and Thich Tam Chau, leave the country in the interests of reconciliation. We were told November 7 that a Japanese Buddhist organization was considering inviting Thich Tri Quang to Japan, ostensibly for medical treatment. This would not be without its dangers, for Tri Quang has lost his public relations appeal with the local and for the press here in Saigon, whereas he would be a new newsworthy article in Japan. Moreover, from Japan he might travel elsewhere, including applying for a visa to enter the United States, where his views played out on television and in the press, would certainly be unhelpful to us. Nevertheless, the best answer to Tri Quang would be broad Buddhist reconciliation as a result of his departure from the local scene and Buddhist participation in the normal activities of the country, so the risk may well be worth running.

D. Economic

One of the sharpest rises in recent months was registered in the Saigon Retail Price Index for this week, moving up to 304 from last week's level of 290. Increases in food prices (including pork, fish, chicken, and vegetables) were mainly due to sabotage on Route 4 by the Viet Cong in the Mekong Delta prior to the inauguration and National Day. Heavy rains added to transport problems. Rises in the Index so far this year have been 35 percent.