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#34 meeting notes	<del>1/11/66 meeting with foreign policy advisors on David Bellis' return--possible classified info.</del> <i>open 12-23-82 ius</i> <i>NLS 82-84</i>	<del>5p. 1/11/66</del>	<del>A</del>

**FILE LOCATION**

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Cabinet Meeting January 11, 1966

Began: 1:05 p.m. Ended: 2:05 p.m.

Present: The President, McNamara, Bill Bundy, Mac Bundy, David Bell, Alexis Johnson, Bill Moyers, Jack Valenti

Subject: David Bell's return

BELL Four essentials: 1. Pacification for rural construction. 2. Resources allocation and inflation. 3. Emphasis on non military aspects. 4. Miscellaneous.

Number one problem is rural pacification. Today SVN army can no longer clear any area; must have our troops. But even so can't hold it. Difficult problem. Must restore some kind of government system that serves the people. A new spurt is needed. Is not being done now. Some areas are thoroughly pacified but have always been historically.

We are not yet following up and increasing hold so people can see positive future for themselves. Nothing new but did find neither SVN nor American are adequately on top of this problem. General Khan has done a good job to learn this. His deputy Col. Chon is one of the best -- now recruiting and training Vietnamese teams.

Ben de Pugh on our side understands the problem. Col. Sam Wilson also good. Plans to concentrate in 4 limited priority areas. If they accomplish this, they will have affected 1/20 or 1/10 of rural population but it will be first time this has happened. Key question - can we get even this little done. Will take 80 man teams to go into each hamlet and village and stay for months at a time. Begin to build a political system and out VC. Takes heavy volume of VN manpower to do this. Strong back-up needed also -- (AID, CIA, USIA, etc.)

Distrubed because in general setup of U. S. mission, no one is really in charge of this sort of operation. Tentative conclusion is (agreed to by Westmoreland, Mann, Lodge) to place responsibility on Ambassador Porter, give him small staff, integrate the overall program. Can bring in wholly new man but this has drawbacks.

This is number one objective save for the actual fighting to be undertaken in coming year.

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### Resource Allocation

VN economy has changed -- now in boom situation. Resources over-strained, prices going up. Plans are not made as to how to distribute manpower. Can't do anything about land reform because no men available. Need someone in U. S. mission akin to James Byrnes' job in WW II. Would identify resources and spotlight issues. Require office and man not now in VN. Checked with Ambassador Lodge but neither of us are sure about this.

Did a lot of work on inflation. Laid out a complete set of measurements to control inflation. Principal one is to limit VN budget expenses. Increase taxes (agreed not yet done). Limit to maximum possible extent the spending by American troops. (Budget deficits, troop spending, military construction program are three big sources of inflation.)

Difficult to really prevent American troop spending.

Think we have the impact of spending and construction as low as possible.

U. S. and V N are agreed on approximate volume of imports required. About double the imports over last year. From \$100M to \$400M. and demand for increased imports are already on us. Already have to transfer funds to get us through January.

Finally, over and above this will be ~~requiring~~ necessary to take monetary action, even to devalue currency. Not now because of ~~volatile~~ volatile situation. Meantime, series of actions suggested -- putting some money through black market in Hong Kong. VN wanted to sell gold but told them it was out of the question. Inflation problem is not fully met today.

### Ports

Badly jammed. Coastal ports are being worked on and in few months will be able to handle traffic. Saigon is another problem. 500,000 tons by next October. We have man out there from New York Port Authority who is good man.

Through the coming year need to take series of steps which will improve the port. Can't be done now because of administrative set up.

Recommended Ky establish a single-headed Port Authority -- put tough guy in charge. Put high ranking military man along side him. Ky accepted recommendation in principle -- has not carried it out.



Non military aspects

Satisfied that Lodge, Zorthian, Mann et al doing all they can in field. American reporters file a good deal of this non military work but little of it gets printed. Lodge says it would be helpful to have series of visits -- if they are well prepared and substantive. But there is plenty for such groups to do. Careful preparation can be done.

Recommend such groups go out: Agriculture - Education - Health - in that order. First visit by Freeman be held in February. Other visits later.

Miscellaneous

Checked on refugee camps. Rahter pleased with what I found. Refugees being fed, not hungry, reasonably clothed. Housing varies. Some very good, some very bad. Too crowded, dangerous from health view. Refugees relatively static. Coming in, but others re-settled. Around 700,000 now. Can handle that number okay.

Economic Warfare

Diversion of American materials to VC -- Committee working on this. Difficult to manage. VC can send purchasing agent to Saigon and buy what they need. It is difficult to get to VC. Easier to block it via transportation rather than marketplace. Long, detailed process to find out about the flow -- and to stop it.

AID expanding -- 1,000 Americans and 200-300 contract people. Bulk of additional people going in the field. All this, of course, has nothing to do with military.

PRESIDENT - Mac, analyze written report and let us find out what we need to do.

BUNDY Most important is pacification. Not clear we can handle resource allocation in as straightforward way as David suggests. Two kinds of civilian leadership problem -- pacification and resource allocation.

PRESIDENT Gather pacification has gone backwards.

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BELL Possibly -- though not much. Asked provincial men how much of their area is reachable - varied - much by day - less by night. Reporters I talked to didn't seem to know much.

AID people (Ray Worley) are worried. Worried about thinness and weakness in VN government. Only 2 or 3 strong men in government. General Thieu and two others.

When you talk as I did for long hours with these men, you find they are not broad gauged. Worley is troubled by this. But people in the country side are not worried -- high morale and working like dogs. Superb morale. Far better understanding displayed today by VN leaders in the "village campaign." VN men in charge do see the problem, making plans but they are still plans.

McNAMARA Don't think there's a single area pacified.

PRESIDENT What about Lansdale?

BELL Has good effect on VN side - divisive effect on American community. His personality is the reason - Deutsch is real problem. Ky questions whether he is worth the cost. Lansdale however is rated ~~valuable~~ above his cost.

PRESIDENT What is relationship between the American leaders?

BELL Excellent.

PRESIDENT Anyone make any contribution to the pause?

BELL Didn't go into that. Thailand problem too troublesome -- corrupt man in charge. Everyone in Thailand is aware of it. Pleased with AID program in N. E. Thailand. Still a long way from a popular based program and government still handing down largesse from on high.

Laos not hopeless -- real base to build on in terms of development. No Taiwan, but clearly not a sink-hole, hopeless. They can improve in a good many ways.

BALL Just spent three hours befor House Foreign Affairs committee. And it's not the same committee I knew before.

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PRESIDENT I think it is going to get worse. Viet Nam is number one thing on their mind. But when you get to specifics they wind up doing the same thing. Don't think the polls are far wrong - 55-45. Senate will be worse than House. Must ride out the waves~~xxx~~ created by 100 experts who visited there.

BALL One question: Why doesn't Adm. allow them to debate? Told them they could debate anytime.

PRESIDENT Are they critical of pause?

BALL No, on the whole they rather like it. This has been Gung Ho committee but now they are softer -- looking for a way out.

PRESIDENT What would your conclusion be?

BALL They have no solutions -- just deeply troubled.

BELL Followed Harriman - and his visits were excellent. Complimentary of what he is doing. Committee not critical of peace effort -- worried about where we go.

PRESIDENT Articles on last few days have spurred them on (Lippmann, etc.)

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