



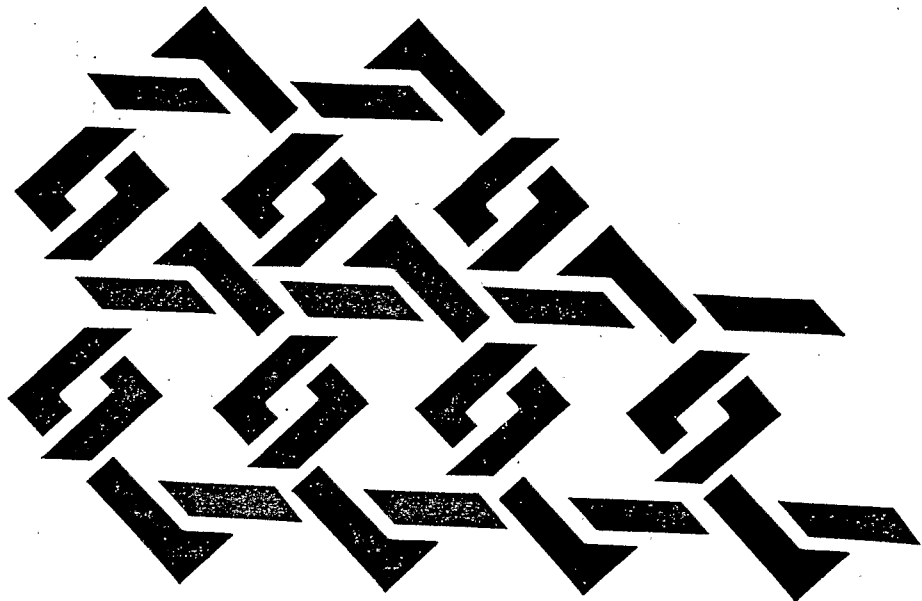
INSTITUTE OF EAST ASIAN STUDIES
UNIVERSITY OF CALIFORNIA AT BERKELEY

The Bunker Papers

Reports to the President from
Vietnam, 1967-1973

EDITED BY
Douglas Pike

VOLUME 2



**INSTITUTE OF EAST ASIAN STUDIES
UNIVERSITY OF CALIFORNIA AT BERKELEY**

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9 east of Ca Lu has commenced. Recon and strike operations against Route 547 and A Shau continues. Thinly spread, Allied forces in II CTZ have effectively frustrated enemy efforts throughout that sprawling territory.

D. RVNAF leadership has markedly reasserted itself in the past few weeks, and we now have a truly combined and comprehensive operation in progress in the capital military district and four surrounding provinces. Major elements of three divisions, together with two ARVN divisions, VN Airborne, Marine and Ranger Units, and the National Police are engaged in a fully integrated offensive under a common operation plan in a thorough, methodical and sustained effort to eliminate all enemy positions, havens and organized forces in this extended area. Quyet Thang (Resolve to Win) is an appropriate name for this unprecedented undertaking. General Thang, newly appointed IV CTZ Commander, has similarly initiated an imaginative, corps-wide offensive to restore the situation and public confidence by showing the flag and forcing the organized enemy units to stress survival over attack. Keeping the individual sappers off of Route 4 remains a problem. A major portion of the U.S. 9th Infantry Division has been assigned to IV CTZ to support General Thang in that operation.

E. A most significant consequence of our counteroffensive has been the discovery of large and numerous arms caches. The terrain in and around Gia Dinh Province alone has yielded nearly one hundred 122mm rockets, 1900 mortar rounds, and 460 rpg rounds to Allied search operations during the past eleven days. Circumstances of these finds indicate rather clearly that some of the arms have been abandoned by an enemy under pressure from Operation Quyet Thang.

The retail price index fell 2 percent from the level of last week. The main cause was a decline in prices of pork, shrimp, duck eggs and milk. According to market sources, the demand for many protein foods is well below pre-Tet levels, and purchasing patterns have moved, in general, to less expensive protein foods.

The announced changes in the operation of the London Gold Pool have produced little visible response in the Saigon gold or U.S. dollar markets. While the price edged up slightly, there was no indication of any rush into gold. The National Bank of Viet Nam has informed us that they will refrain from selling gold to private holders. Their previous commitment to sell gold at a fixed price has placed an effective lid on the free market gold price which now will move freely. Since the Saigon market is primarily supplied from Hong Kong and Laos which, in turn, buy gold on the London market, we will have to wait until the London market opens on April 1st to see what the world free market prices will be and its effect on the Laotian and Hong Kong markets.

XIV

FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FORTY-FIFTH WEEKLY TELEGRAM, MARCH 28, 1968. On March 21, in a wide-ranging speech, the best and briefest he has made since taking office, Thieu outlined what is being done and what his plans are for mobilization, recovery, administrative reform, civil defense, revolutionary development, the attack on corruption, and austerity. He warned that the people would have to face many ordeals in all areas, asked them to accept greater sacrifices, and ended with a plea for greater efforts, for courage and perseverance.

Mobilization is being pushed. Last Tuesday, Thieu met with Vice President Ky, Minister of Defense General Vy, and Chief of the Joint General Staff General Cao Van Vien to discuss the rate of call-up of draftees, training, and the character and disposition of units. Thirty-eight thousand men in the 19 year age group have received draft cards, 40,000 in the 18 year group will be called up in the next phase. In the last two and one-half months, 48,500 men, nearly half of them volunteers, have joined the armed forces; a number greater than in any similar period. The military training of civil servants and students is being accelerated.

Civil defense training is also proceeding and has made substantial progress though it is not yet well enough coordinated. Thieu has asked Vice President Ky to take charge of the program and to come up with a comprehensive plan for the whole country. It is important that this should be carried out carefully and in an orderly and systematic way to avoid the reappearance of any private armies such as existed in prior years. A good beginning is being made in first training civil servants. Veterans should provide another good civil defense pool.

In a haste to increase the armed forces by at least 135,000, the GVN has not given enough attention to protecting important civic and pacification activities. I have raised this problem several times with both Thieu and Prime Minister Loc, furnishing the latter a list of 3,000 essential government jobs whose incumbents should not be drafted unless qualified replacement is available. While the situation relative to the central government in Saigon has been handled fairly well, there is danger that the provincial services and the economy may be seriously affected unless preventive measures are promptly taken. For example, refugee mobile teams are being decimated by the draft just at the time when the refugee load is the greatest; the only anaesthetist at the Dait Hospital has been drafted, effectively cancelling the hospital's surgi-

cal capability. We are, therefore, working on a longer list covering the provincial organizations. The GVN has not yet provided clear instructions or adequate machinery to insure that essential civilian government and public services continue to function effectively. Since the contest in Viet Nam is not only a contest between military forces, but also between GVN and VC organizations, it is essential that the GVN administrative structure be not weakened. I have suggested to Thieu and Ky that the mobilization directorate be placed either under the Presidency or the Prime Minister's office so that the interests of all the ministries can be coordinated.

Thieu has also moved on the civilian front.

(a) In addition to the eight new province chiefs, whose appointment I mentioned in last week's message, Thieu yesterday appointed four more province chiefs in the provinces of Go Cong, Kien Hoa, Vinh Binh, and Phong Dinh, all in the IV Corps area. He has informed me that he expects to replace the province chiefs in Bien Hoa and Gia Dinh in III Corps and to make further appointments when the course for province and district chiefs is completed in April.

(b) Thieu has also submitted to the Assembly draft laws covering establishment of the Inspectorate, the Supreme Court, the Special Court, the Magistrate Council, and a statute for political parties. Yesterday he submitted draft laws covering the organization and operation of the Economic and Social Welfare Council, and the Ethnic Minority Council. The Vice President will preside over these Councils. It is anticipated that these draft laws will be debated and put to a vote in the lower house in early April. This is a welcome development for it will give Ky definite responsibilities which he has hitherto lacked.

(c) To provide increased revenue, Thieu told me last Tuesday that he will send a draft law to the Assembly proposing a surtax for "reconstruction and solidarity" which he anticipated would bring in about 3 billion piasters. On March 30, he plans to issue an executive order increasing taxes on luxury items and imported goods, expected to bring in about 4 billion piasters in additional revenue. As a first step, he plans to raise the tax on petroleum products from 9 to 13 piasters per liter. He estimates that this will bring in an additional 2 billion piasters. In one or two months, he plans to increase the tax to 17 piasters. Since petroleum products are so widely used in the economy and affect all principal means of transportation, Thieu has decided on a two-step increase in order to avoid too sudden and drastic an impact. In connection with these tax measures, Thieu made a special plea to me to have our authorities work closely with his to prevent supplies from American sources getting into illegal channels of trade. He made the point that obviously non-taxable gasoline and PX supplies would become more attractive.

(d) Information was raised to ministerial level and Tran Van An appointed Minister of Information on March 22. Thieu hopes that An will develop a more effective and imaginative program both at home and abroad. This is badly needed, for Information [Ministry] has been one of the weakest elements

in the GVN structure. An has talked to us about establishing a joint US/GVN working committee and we shall follow up with him on this. He wants to have a closer working relationship with all the ministries and to work out some joint arrangement with the ARVN Political Warfare section. He also hopes to develop a more realistic "political warfare" campaign against the enemy with more adroit use of TV and radio. We shall lend all the assistance we can for, in my opinion, GVN psychological warfare has been a good deal less effective than the enemy's.

(e) Thieu has made progress toward the establishment of his Council of Political and Spiritual Advisers. He informed me that so far eighteen individuals had agreed to serve, that he wants to talk to three or four others before making an announcement which he hoped might be this week. Among those who have agreed to serve are Phan Quang Dan and Ha Thuc Ky; he also hopes to have satisfactory Buddhist representation among them. Tran Van Huong has agreed to serve privately as an adviser, but does not wish to be officially listed as such. All had agreed that it would be best not to meet formally in a large group since frank and constructive discussions could better be had in meetings with small selected groups, or individually.

(f) Announcement has been made that an Administrative Reform Council will be set up in the President's office "under the direct control of the President, and will be responsible for studying and deciding on administrative reforms." It will have a committee on civil service reform which can be used as a vehicle for reviving the proposed Civil Service General Statute which was drafted in October 1967, by an ad hoc GVN committee, and which has never been implemented. A National Planning Council will also be set up "under the direct control of the President, and will be responsible for studying and drawing up all national plans as well as the supervision and execution of these plans."

(g) Work is also underway on the establishment of a Production Rehabilitation Fund and a War Risk Insurance plan, both mentioned by the President in his March 21 speech.

(h) On corruption, Thieu said "I have considered it to be a shame for the whole nation" and emphasized his determination to wipe it out. He observed "I will not pass up any infraction, and in order to start in the right direction, I shall not treat with indulgence any clearly established cases of corruption, especially the abuses committed in the relief program." He promised to strictly carry out punishments handed down by the courts, including the death penalty recently announced in three cases.

(i) According to the President's brother, Nguyen Van Kieu, Tran Van Huong has been persuaded to serve as head of the Inspectorate. Past claims to his effects have not materialized, but if true, this would be a most favorable development for Huong has a wide reputation for honesty and dedication to clean government. Thus Huong could add some needed credibility to the government's anti-corruption campaign. His presence should go a long way to instill confidence that this time the government really means business.

(Huong recently told an Embassy officer that the only way to handle those who divert relief funds and supplies is to "shoot, shoot, shoot." He seemed to mean it.)

U.S. and GVN forces increasingly took the initiative last week while the level of enemy activity declined, although there were a number of sizeable actions. During the last two days of last week, Khe Sanh was subjected to very heavy rocketing, but this has since slackened off. It seems probable that our very heavy bombing has inflicted heavy casualties; 1,200 of the enemy are known killed and this may be a relatively small proportion of the total. General Westmoreland believes it is conceivable the enemy may have given up the idea of attacking Khe Sanh and may be withdrawing part of his forces to Cambodia and intending to redeploy in the Central Highlands. In the southern three provinces of I Corps, the enemy seems to be disorganized. In II Corps, he has maintained a threatening attitude around the cities of Kontum, Pleiku, and Banmethuot, but activities have largely been confined to harassment through mortaring and rocketing. In III Corps, the joint US/ARVN operation, Quyet Thang (Resolve to Win), is progressing well, with sweeps being carried out during the day and ambushes at night. Heavy losses have been inflicted on the enemy. The enemy continues to hang around Saigon in Gia Dinh, Hau Nghia, and Bien Hoa provinces. In IV Corps, offensive operations have been accelerated, activity last week being the highest on record. The enemy has pulled back from around My Tho and Can Tho and seems to be trying to avoid contact. On the other hand, he has been actively attempting to disrupt traffic. Highway 4 is interdicted almost every night, but is back in operation during the day time.

The enemy apparently is infiltrating from the north at a very high rate. With only four to six weeks of good weather remaining in the Laos panhandle, he is trying feverishly to replenish stocks. He is relying heavily on trucks, building cleverly concealed motorable roads in remote areas from Cambodia into Tay Ninh and Phuoc Long provinces and from the tri-border area into Kontum Province.

The determination of the Vietnamese armed forces to engage the enemy and to expel him from positions from which he can threaten military installations and population centers has become increasingly evident throughout the month of March.

In I Corps, since the Battle of Hue, in which 4,578 enemy were killed (2,623 by ARVN), there have been three significant ARVN engagements.

(a) In Quang Tri Province, the 1st ARVN Regiment operation resulted in 208 enemy KIA, 18 detainees, 49 individuals and 16 crew-served weapons captured. ARVN losses were 8 KIA and 35 WIA.

(b) In Quang Tri Province, in a second ARVN Regiment operation 155 of the enemy were KIA, 19 individual and 6 crew-served weapons captured. ARVN losses were 14 KIA, 63 WIA, and one MIA.

(c) In Quang Tri Province, in another ARVN Regiment operation, the enemy losses were 407 KIA, 18 detainees, 74 individual and 24 crew-served

weapons captured. ARVN losses were 45 KIA and 185 WIA.

In II Corps, ARVN had three significant contacts:

(a) In Darlac Province, in an operation by the 45th ARVN Regiment, 160 enemy were killed, 52 individual and one crew-served weapon captured. ARVN sustained 16 KIA and 16 WIA.

(b) In Binh Dinh Province in two engagements in which the Regional and Popular Forces participated, the enemy lost 298 KIA, 24 individual and 16 crew-served weapons, yet the RF/PF losses were one KIA and 8 WIA.

In III Corps, the combined campaign, Quyet Thang (Resolve to Win), began on 11 March with elements of the U.S. 1st, 9th, and 25th Infantry Divisions in coordination with the 5th and 25th ARVN Divisions and Vietnamese airborne, Marines, and Ranger Task Forces. The operation, designed to clear the Capital Military District and surrounding areas, is progressing with significant results. As examples:

(a) In Hau Nghia Province, a combined reconnaissance in force by elements of the 49th ARVN Regiment and 11th U.S. Armored Cavalry, against an estimated enemy battalion, resulted in 142 enemy KIA, 6 individual and 2 crew-served weapons captured. Friendly losses were 8 KIA (one U.S.) and 21 WIA (five U.S.).

(b) In Hau Nghia Province, in the early hours of 25 March, a combined force of the 34th ARVN Ranger Battalion and elements of the 4th Battalion, 23rd Infantry (U.S.) engaged in estimated 300 enemy while reinforcing a Popular Forces outpost under attack. U.S. tanks, artillery, gunships and tactical air also participated. Enemy losses now stand at 243 KIA, 24 individual and 15 crew-served weapons captured. Friendly losses are 32 KIA (10 U.S.), 103 WIA (71 U.S.), two MIA (ARVN), and three trucks destroyed.

(c) Cumulative casualties through midnight 25 March are: Enemy (by ARVN)—845 KIA, 44 detainees, two returns, 225 individual and 47 crew-served weapons captured; by U.S.—879 KIA, 236 detainees, 268 individual (U.S.), 63 KIA, 538 WIA (407 evacuated).

In IV Corps:

(a) Operation Truong Cong Dinh campaign commenced on 7 March, with the 1st and 2nd Brigades, 9th U.S. Infantry Division and ARVN 7th, 9th and 21st Divisions. ARVN forces energized by the new Corps Commander, General Thang, have achieved excellent results. Campaign cumulative casualties through midnight 25 March are: Enemy (by ARVN) 502 KIA, 377 detainees, 157 individual weapons and by 16 crew-served weapons captured; by U.S.—198 KIA, 140 detainees, 23 individual and five crew-served weapons captured.

(b) Another significant engagement occurred in IV Corps in An Xuyen Province at Ca Mau on the morning of the 5 March when an estimated reinforced enemy battalion attacked the city and airfield. Popular Forces and 32nd ARVN Regiment troops attacked with artillery, gunships, and tactical air support. After an eight-hour engagement, the enemy was driven from the

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battle area leaving 283 dead, 49 individual and 21 crew-served weapons and two radios captured. Friendly losses were 11 KIA and 47 WIA (2 U.S.).

Political Organizations: Organizing activity continued this week for two major new political groups, Tran Van Don's Peoples Front for National Salvation and Nguyen Van Huong's Free Democratic Force. Don held a press conference March 22 to announce the composition of the Front's High Steering Committee and report on his organizing trips to the provinces. Huong's Force was publicly launched March 27 with a two-day national congress for delegates from all over the country. (It is not clear whether Tran Van An is still going ahead with his plans for another Front organization now that he has been named as Minister of Information.)

While Don has suffered no public defections, it is becoming increasingly clear that some of the national political figures who originally took part in his Front are now cooling off on it. The question of the continued participation of men such as Tran Van Huong, Phan Khac Suu, and Ha Thuo Ky was avoided at the March 22 press conference by announcing that all members of the Front's temporary advisory board will now be members of the High Steering Committee. While Huong, for example, has not objected to this continued use of his name, he has appeared only at the first public meeting and he has subsequently let it be known privately that he does not believe the Front is a useful device.

Don, meanwhile, has been making a number of trips to the provinces to set up provincial branches of his organization. It is not yet clear how much success he is having in this effort, though he himself admits that ideally he should have begun with this activity and then proceeded to the kind of national congress which he held on March 10.

There is a continuing impression that Don's organization is basically pro-Ky and Thieu himself seems still to take a rather dim view of the Don Front. He recently told a Mission officer that Don's Front has no value for use as an instrument to develop and organize public action and Don's concept is not practical for Viet Nam at this time. Thieu said that the Don Front will attract no one of substance outside of Don's entourage and his political allies.

Huong's Force at its inception appears to be notably lacking in leaders of national stature. His temporary executive committee, unveiled at the March 27 meeting, includes several Senators and Deputies, but none of these have been prominent in the Assembly. Huong himself is staying completely in the background, with a relatively unknown [name deleted] serving as the Chairman of the Force Executive Committee. The Force inaugural was attended by delegations from 36 provinces, however, and Embassy officers observed that these delegations included a sprinkling of provincial councilors and village chiefs. It may be that, despite the lack of national figures among the leaders of the Force, Huong has in fact prepared the ground for a national organization with some real support at the rice roots level.

An important difference between the Don Front and the Huong Force is the fact that the Force accepts members only as individuals. Don's Front, on

the other hand, aims at attracting already organized groups to band together in pursuit of common goals. For the immediate problem of mobilizing the nation against the present Communist threat, Don's approach has clear advantages. However, over the long haul the Huong method probably offers a better hope of constructing a close-knit and disciplined political organization.

Huong's concept is a party of cadre, organized in cells, and directed from the top. He has clearly been much influenced by the example of the Lao Dong and Can Lao parties, and the Force can be expected to bear a strong resemblance to those organizations if it is successful. Hopefully, there will be one vital difference, however—the Force is being organized with the avowed purpose of seeking power through free elections, and its bylaws pledge adherence to the Constitution.

The Don Front and the Huong Force are not necessarily incompatible, though most Vietnamese politicians persist in seeing them as rivals. Tran Van Don in fact attended the public inauguration of the Force as a guest. He told an Embassy officer there that he hopes all parties, including the [Huong] Force, can be induced to band together for certain purposes under the banner of his Front. This is very close to the idea of Thieu's brother, Nguyen Van Kieu. Kieu told Calhoun on March 27 that he has been consulting with Don, Huong, and Tran Van An about arrangements for linking their organizations together, and he claimed that all had agreed to work out such an understanding. We will be working to influence some such development so as to maximize the unifying influence of these political groups in the face of the enemy.

Thieu-Ky Relations: Bui Diem has been talking, by his own account very frankly indeed, with both Thieu and Ky on the absolute necessity for them to close ranks publicly and work together for the good of the nation. I hope that his efforts will reinforce my own frequent attempts to impress this idea on both Thieu and Ky. According to Bui Diem, Ky reiterated his feelings of loyalty and personal obligation to you and his pledge that he will do nothing to upset the present situation. He also reportedly told Bui Diem that he is willing to get rid of some of the more troublesome members of his staff, including Dang Duc Khoi and [name deleted] if Thieu wishes him to do so.

In recent conversations Ky has seemed to focus on the need for Thieu to publicly designate some area for him to work on. Thieu has told me and he has said he is willing to accept this responsibility. However, he also feels he must have a public mandate from Thieu. I agree that he should and I intend to take this up with Thieu as soon as possible.

Thieu's sending of draft legislation to the Assembly for the establishment of the three advisory councils should also help to alleviate the problem. As Vice President, Ky is supposed to chair these councils, and their establishment should help to occupy him in something besides ill-advised comments to reporters.

Some of the recent friction between Thieu and Ky has no doubt been generated by persistent reports that Ky's supporters were pushing for a constitu-

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tional amendment which would allow Ky to become Prime Minister. General Loan seems to have been behind this particular maneuver, and perhaps as a result of some rather frank talk between Komer and Ky about Loan. Loan has been sent to I Corps to "cool off" for a time. As Loan was also the prime mover behind the effort to have the Assembly declare war on North Vietnam, I hope that his absence will also tend to dampen that particular project.

Assembly Developments: The upper house has been circulating a petition to interpellate the Prime Minister, Defense Minister Vy, and Interior Minister Vien on the government's performance during and since the Tet attacks. The petition already has the required number of signatures, and it is reasonably certain that the ministers will be "invited" to appear following passage of the budget.

According to some of the more moderate Senators, the Ministers can expect some very vigorous questioning. According to Senator Dang Van Sung, the impetus behind the interpellation effort is the "general feeling" that the government must make some fairly extensive changes in the cabinet to restore public confidence. While some Senators no doubt sincerely believe this, others are probably motivated by more personal considerations. We will do what we can to moderate this development.

The upper house is now nearing the end of its consideration of the budget: It has taken a much more careful look at the government's plans than did the lower house, and has made a number of economies. The senators reportedly have been told by the Minister of Finance that there will be a supplemental budget request from the government within about three months. The Senate therefore is taking a very hard look at budget items such as new automobiles or new personnel, while at the same time taking the position that they will approve any funds really needed for essential operations. Thus, they have cut the budgets of the ministries of Health, Social Welfare, and Education, but expect to vote more money for all three ministries when they get the supplemental request to meet the extraordinary demands put on those Ministries by the Tet attacks.

Among other cuts were reductions in the funds allotted for the offices of the Government Delegates, the Senate taking the position that these offices are not provided for in the Constitution, and they only add to "administrative frictions." The Senate also took an action which some senators have interpreted as a slap at Vice President Ky. Noting that the Vice President has no power to sign decrees under the Constitution, they questioned his right to establish a separate office by decree. They then voted to put the funds for the Vice Presidency under the same chapter of the budget as the funds for the office of the Presidency.

Because of the numerous Senate changes in the lower house version of the budget, the bill will have to go back to the lower house following passage by the Senate. Compromising the House and Senate versions could take some time, but we are told by most sources that final passage will take place during the first week in April.

The pacification program is continuing to revive slowly, although the GVN is not yet moving fast enough to win the race for the countryside. As I reported last week, the key problem is less one of loss of assets—the great bulk of them are again in hand—than defensive attitudes which inhibit aggressive movement back into those hamlets now lost or contested.

These losses have been considerable, but less than initially feared. For example, our Hamlet Evaluation System figures for end-February show a 7 percent decline in relatively secure population (ABC hamlets plus the towns) from the end-January estimate of 67 percent. About 800 hamlets and 1.3 million people dropped from the "secure" category. But it is important to note that most of these dropped into the "contested" category. Only 200 hamlets and 280,000 people are estimated to have reverted to VC control. Moreover, we believe that these losses as of end-February are being slowly recouped during March.

Meanwhile, President Thieu has been giving more guidance to the program. He has moved to reassert central government authority over province chiefs by cutting Corps Commanders out of all save the military chain of command. His appointment of first eight and now four more province chiefs manifests Thieu's desire to have more controlling influence. He also plans to shift the RD Cadre Directorate from under JGS back to the RD Ministry, which may cause disruption and delay just at the time when quick action is essential. Komer has urged Thieu to delay this change until later in the year when pacification is back on the track.

Ky is also active, visiting each Corps to manifest his approval of the modified 1968 RD plans and carry the word that pacification is still a high priority program being given personal attention by top government leaders.

Out of 595 RD teams 464 (77 percent) are now back in the hamlets. Local security forces have had to go with them, which helps achieve GVN and US aim of re-establishing a presence.

The brightest news on the recovery front is continued dropoff in Tet evacuees, indicating that people are gaining confidence in security and that resettlement machinery is beginning to function. Between 13 and 25 March total Tet refugees declined from 486,000 to 392,000 and are still declining. In Saigon/Gia Dinh, refugees dropped from 122,000 to 99,000 during the same period.

We continue to stress in top GVN circles that recovery is much bigger than just repairing damages and helping evacuees. The key is economic revival, which in turn depends critically on restoring roads and waterways to the point where people are confident that they can travel as safely as before. Tet key roads are re-opening, but traffic on them is only slowly reviving because of the psychological impact of the Tet offensive hasn't worn off and the VC are practicing calculated harassment. In III Corps, even though major highways are open, commercial traffic is below 50 percent of pre-Tet levels. On vital Route 4 in the Delta, traffic flow is now roughly 50 percent of pre-Tet level. On the two most important canals in the Delta, the Mang Thit and the Cho

Gao, boat traffic is about 20 percent and 30 percent respectively of pre-Tet volume.

As a result, the flow of rice from the Delta to Saigon is way down. Because there isn't enough storage space in the countryside, Delta rice must be moved to covered storage in Saigon before the rains start next month. Traffic out of Saigon is way down too, causing critical shortages of POL in many Delta provinces, slowing distribution of relief materials, and forcing prices of commodities normally obtained from Saigon to rise to as much as 100 percent above pre-Tet figures. We are doing our best to restore security and confidence.

The money supply declined slightly in the week ended March 9 following two weeks of fairly rapid advance. The public sector deficit continued to rise strongly, but a \$12 million decline in foreign exchange holdings was more than sufficient to offset this factor. Prices fell by about one percent in the week ended March 25 leaving the USAID Retail Index only 6 1/2 percent above January 2 and about one percent below January 27, date of the last pre-Tet calculation. As before, the stability in prices can be attributed to the extreme sluggishness in general business conditions.

While communications between the Delta and Saigon have improved somewhat (one barge convoy has made a round trip), the rice trade remains stagnant, and paddy prices in the countryside continue to soften. The Government does seem to have accepted the idea of providing additional credit, coupled with a commitment to purchase rice at a stated price. Discussions are now going on between the Ministry of Economy and the trade regarding the amounts available and the price to be set. There is reason to hope that positive GVN action along these lines will stimulate commerce in the Delta in general.

The Saigon port congestion problem should be solved by the end of the month. 9,500 tons are now being discharged daily, and the number of contractors clearing the port has increased.

XLVI

FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FORTY-SIXTH WEEKLY TELEGRAM, APRIL 4, 1968. By far the chief event of the week was your speech announcing the bombing pause and your decision not to seek the nomination. Although the effect here of your statements and decisions are [sic] not yet entirely clear, we can make some preliminary judgments at this time.

As I have reported, I immediately sought an interview with Thieu. I found that he had already underlined the salient points in the speech. He wanted, of course, my views regarding your announcement with respect to your candidacy and the significance to be attached to it. I replied that I could only give him my personal views: that I felt that by taking this step you had gained a free hand to pursue the new policies which you had announced, but which represented no departure from your stand on Viet-Nam; that it would cut the ground from under the critics of your Viet-nam policy; that it had lifted Viet-Nam out of the area of domestic politics, and that you are asking the country, including the opposition, to face up squarely to what must be done.

Thieu said that inevitably there would be much speculation and many interpretations among the Vietnamese, questioning as to whether this represented a change in U.S. policy, as well as speculation on the effect on the U.S. domestic political situation. He went on to say that he felt that the speech was unexceptional, flexible, and very carefully constructed, and that it would give him no difficulties. He remarked with a smile that "in this speech President Johnson was more Asian than we Asians."

He thought that Hanoi would deal with the statement on two planes. Officially they would say it was not responsive to their demand for a complete cessation of bombing. Privately Hanoi would circulate rumors that the speech showed President Johnson recognizes his policy failed and has now abandoned it. When I saw Thieu later, he remarked that he thought the fact that Hanoi had not commented on your statement indicated that they had been taken by surprise.

The general reaction to your speech was at first confused and fearful, but as the text became widely available and was studied carefully, reactions were generally favorable. While there remains some fear, particularly with the man on the street, that the decision to sharply reduce the bombing may be a sign of American wavering in the face of the enemy, most opinion makers here now see it as a necessary gesture toward American and world opinion.

The reaction to your statement about the nomination was also characterized by shock and dismay at the outset. Many feared that this announcement meant that Viet Nam had in effect lost its greatest and most powerful ally. I have the impression now, however, that more and more Vietnamese are viewing your decision in the terms which you yourself used to explain it—a move to unite the American people and to get the Viet-Nam war out of partisan politics. A number of Vietnamese, including Ky, have expressed the idea that this decision is in Asian eyes an act of "supreme virtue," a selfless (and rather Confucian) placing of the needs of the nation and the free world first, and many, probably most, cherish the hope that the American people will somehow compel you to change your mind about seeking another term as President.

Perhaps second in importance to your speech was the very excellent press conference which Thieu held yesterday jointly with Ky. In it, he gave voice to the increased Vietnamese determination to stand against the enemy, regardless of the outcome, and the willingness to shoulder the burdens of the war. This attitude has become increasingly apparent since the Tet offensive. Thieu said, "I have said many times that if the Allies cannot continue their assistance, we will fight on alone." He went on to say that South Viet Nam will increase its efforts if Hanoi does not respond favorably to our latest offer, and within a "few weeks" will implement general mobilization. He also said that "with the increase in our own troop strength, with the plan for general mobilization, if the U.S. Government deems it necessary, a partial withdrawal of U.S. troops could begin late in 1968."

He spiked reports that we had not consulted with the GVN before deciding on the bombing pause; he noted very effectively the fact that in your speech, you gave renewed voice to American determination to accept nothing less than a free and independent South Viet-Nam, and he demonstrated his own determination to unite with all nationalists (particularly Ky and Ky's followers) and to mobilize the full resources of the nation.

Thieu also spoke out frankly about his relationship with Vice President Ky. While not denying that there have been differences, he made it clear that he and Ky are united on the important issues before the nation and that they are determined to work together. He specifically gave Ky a public mandate to undertake the organization of civil defense, something which Ky felt he needed and wanted. Thieu also expressed the hope that the draft legislation sent to the National Assembly for the organization of the Advisory Councils, chaired by the Vice President, would be enacted promptly.

I think Thieu's press conference was extraordinarily successful. He was confident, sincere, and convincing in his answers to all of the questions. It seemed to me further evidence that Thieu has been growing in stature and that increasingly he has been exhibiting a degree of forcefulness and leadership much to be desired.

As a further commentary on the Thieu-Ky relationship and Thieu's stature in general, [name deleted] made an interesting assessment. [Eight words ex-

cised] he is an Asian from a country which has many things in common with Viet-Nam, including a basic Chinese culture, a corruption problem, new democratic institutions, and a constant Communist threat. He told me and Ambassador Berger that he does not share the rather general Western view of Thieu as a man of indecision. He feels that in Asian eyes, there is greater confidence and respect for leaders who are reflective and deliberate than for those who are impulsive and move swiftly. Thus Thieu is really likely to be more effective with the Vietnamese than Ky. He also believes that Thieu and the GVN generally have been given new confidence by their demonstrated ability to meet and survive such an all-out attack as the Tet offensive. He felt that Thieu still needs increased confidence, but that he is doing better all the time.

The spirit of determination which Thieu exhibited in his press conference, and which has also been apparent in his recent speeches, has also become evident in other aspects of Vietnamese life. I have reported on the general spirit of unity in the face of the enemy that characterized the Vietnamese body politic, perhaps for the first time in this long struggle after the Tet attacks. As the attacks on our Viet Nam policy mounted in the United States following the Tet offensive, we saw here a greatly increased willingness to shoulder the war's burdens. Voluntary enlistments shot up dramatically. There seemed to be a general desire among the population for arms and training so that they could defend themselves in the event of future attacks on the cities. Voluntary contributions to relief and reconstruction efforts were, by Vietnamese standards, very large. In political circles, the response to Tran Van Don's effort to form a single, big anti-Communist Front has been surprisingly good. As I reported on Sunday, Thieu got a great ovation from students undergoing military training; students have been almost traditionally against the government, but the reception given Thieu was to my mind symbolic of the changed public atmosphere here. Now we hear Vietnamese saying even if America withdraws, they will fight on to the bitter end. They are talking openly and approvingly of general mobilization.

During the past week, Thieu has made further constructive moves:

(a) He has appointed two new Province Chiefs in the important provinces of [five words excised] bringing the total post-Tet purge so far to 14. Both [incumbents; names deleted] were two of the most inept, allegedly corrupt province officials on our list. In the case of [name deleted], his poor performance in pacification and unwillingness to accept advice had already led Bob Komer to withdraw U.S. commodity support to [place name deleted] pacification program and put off limits to U.S. troops. Both measures were aimed at cutting into [name deleted] rackets, which were netting him and his cronies considerable money each month. The fourteen newly appointed Province Chiefs generally appear to be improvements over their predecessors. Apparently, Thieu has picked the men from among officers whom he had personally observed to have turned in superior performances over the past several years. As a result, the new chiefs are less beholden to Division and Corps Commanders, and,

from preliminary reports, seem determined to turn in a good performance. We have had reports that General Vien and some of the other Generals are unhappy with their loss of power.

Thieu expects to make further changes at the conclusion of the course for province and district chiefs. There are still some weak Province Chiefs whom he has indicated that he plans to remove as soon as he has better men available to take their places. He plans to hold a meeting on April 15 of corps commanders and province chiefs at which the new regulation defining relationships between corps commanders, province chiefs, and the new civilian delegates, and their respective duties and responsibilities will be explained.

(b) He has forwarded to the Assembly legislation on press regulations and a draft law for a "reconstruction and solidarity" tax, estimated to bring in 3 billion piasters. By decree issued March 30, he also increased the surtax on luxury imports, through which he hopes to bring in revenue of about 4 billion piasters. By decree issued March 30 he also increased the surtax in luxury imports, through which he hopes to bring in revenue of about 4 billion piasters. These bills bring to ten (not including the budget) the number of major bills sent to the Assembly by the Government since the Tet attacks. It seems to me this is a commendable record, considering the youth of the government and the difficulties it faces.

(c) Thieu also sent a very good message to the opening meeting of the Assembly's regular session on April 1. He noted that democracy is working in Viet Nam despite the heavy strains and burdens imposed on the government; he repeated his decision to increase the Armed Forces by 135,000 and added that further increases might be necessary; with regard to relief and reconstruction, he reported that the Tet refugees are now down from 700,000 to 380,000; 309 million piasters have been allotted to the provinces for the refugees; and reconstruction is going forward, with new homes underway in Saigon, for example, for 7,000 families. He reported also on the military situation, reiterated the GVN position on peace, noted his recent administrative reforms, and asked the Assembly to move promptly on legislation recently sent to it, particularly the bills on political parties and press regulations.

The Senate has completed work on the budget. While making numerous small cuts, it did not seriously amend the administration's draft bill in any important particular, nor did it change the overall figure voted by the Lower House. The bill now goes back to the Lower House and final passage is expected next week.

I reported last week that the Senate was likely to try to interpellate the Prime Minister, the Minister of Defense, and the Minister of Interior. These Ministers have in fact now been "invited" to appear "as soon as possible" to discuss the Government's performance during and since Tet. Until now, the Government has not answered the Assembly request, however, and it is not clear whether the Ministers concerned will or will not appear before the Senate. (The Constitution leaves the question of whether they must appear open, and most Vietnamese seem to think Government ministers can refuse to be interpellated.)

The administration bill on political parties now before the Assembly provides for legal recognition of parties which achieve demonstrated minimum levels of public support. Like another draft prepared by [name deleted], the bill also reflects the Vietnamese tendency to think in terms of cadre-based organizations. The criteria of party strength is not votes garnered at the polls, but the number of formally affiliated activists. This approach is in line with Vietnamese experience and political thinking, but we believe it will not help the development of broadly based national parties, at least not as rapidly as we would hope.

In line with previous announcements, President Thieu on March 30 signed decrees setting up the Administrative Reform Council and the National Planning Council, both of which he will chair himself. The Presidential Council of Advisors has not yet been announced, but we understand from various sources that several additional leaders have consented to serve on it. These include Phan Quang Dan, Ha Thuc Ky, Mai Tho Tuyen (prominent southern election), Pham Huu Chong (civilian member of the "Directorate," Minister of Health under Diem, and a man reportedly close to militant Buddhist leaders), Tran Dinh Nam (elder central Viet Nam VNQDD leader who served as a civilian member of the "Directorate"), and Ho Tri Chau (Chairman of the Saigon Bar Association).

In his report to the Assembly on April 1, Thieu noted that 83,503 civil servants, students, and other civilians have been organized into 585 self-defense units. According to Thieu, the government has furnished these units with over 9,000 weapons.

We do not have full information on the formation of these groups, and it appears that in some cases local authorities are going ahead with their own plans for civil defense without much reference to central direction. (Vice President Ky will no doubt bring a greater element of organization and central control into these efforts now that he is formally charged with responsibility for this program.) In general, however, the authorities are moving ahead cautiously, arming and training civil servants first, relying heavily on veterans, and emphasizing control and proper organization.

In IV Corps, for example, General Thang reportedly approved proposals to provide 100 weapons per province for self-defense groups and also to arm one in every three government officials. However, he rejected a proposal to arm "religious youth" (the Hoa Hao would probably like very much to form their private army under the guise of civil defense). Similarly, in III Corps, the authorities have armed mostly civil servants. In I Corps, our people report considerable enthusiasm for the program. While most of the arms there have gone to civil servants, other groups, including Catholics, have also received a few weapons. In Quang Tri, most threatened province in many ways, the program reportedly has stimulated cooperation between parties which have in the past been bitter rivals.

In Saigon about 140 civilian defense groups are in some stage of organization or training. About 2,000 weapons have been issued, mostly to civil servants, but also including at least one Catholic group. While the majority of the 140 Saigon groups are said to be concentrated in the central parts of the city, the mayor said that he is also trying to set up a ring of self-defense units along the outer edges of the city.

Embassy officers who travel in I Corps report that the population there is still preoccupied by fear of further enemy attack, particularly in the northernmost provinces of Quang Tri and Thua Thien. The feeling of outrage that tended to polarize public opinion against the VC seems to have ebbed, but uneasiness about the future remains widespread. This ebbing of anti-communist anger coupled with continued fear of more attacks probably accounts for a decline of enthusiasm among the organizers of the local Danang anti-communist Front. (The Front remains in business, however, and we are trying to stimulate it and similar groups in the provinces.)

In Hue relief and reconstruction work is going forward, but morale there also remains low because the population is convinced that they face a new attack in the near future. Helping to overcome these negative attitudes are groups such as the [three words excised] and a large contingent of Saigon students working under the direction of Thieu's personal representative, Father Cao Van Luan. It is becoming clear, however, that it will take time to restore confidence as well as the destroyed homes and temples of Hue. We are considering how we might help in getting Hue University in operation again.

The Viet Cong in I Corps, meanwhile, have reportedly been very active in the past months in kidnapping and terror activities. Assassination of village and hamlet officials has been significantly increased, and recruiting efforts continue at a high level.

The attitude of the I Corps militant Buddhists and their political future remain unclear. While there are reports of plans to arrest those who have long been regarded as VC or VC sympathizers by the authorities, no arrests have taken place. Thich Don Han, the monk who was reported by the Viet Cong radio to have called on the people to support the communists, is evidently still in Viet Cong hands despite many reports that he was freed. The arrest of Th Quang and some of his followers in Saigon has caused very little stir among I Corps Buddhists, possibly because they fear arrest themselves if they try to demonstrate against the government.

The level of military activity was down this week, with the enemy apparently still engaged mainly in reforming his units, recruiting and infiltrating men to make up the Tet losses, and making strong efforts to consolidate his hold on the countryside. At the same time enemy forces continued their efforts to interdict highways in order to choke off the flow of supplies in and out of the cities. They also continued to remind the population of their presence by mortaring province and district towns.

With good weather for a number of days over Khe Sanh and the reduction of enemy forces in that area, the immediate threat to that particular position

has eased. In both I Corps and II Corps, there were reports that indicated the enemy perhaps intended to launch a general offensive about March 31. However, the offensive did not materialize—probably pre-empted by friendly operations. There are indications that the enemy may now be focusing his offensive intentions on the highlands.

In I Corps, the Hoi An-Danang area appeared to be threatened during this reporting period, with reports of heavy infiltration of enemy personnel and supplies into the surrounding countryside. Enemy efforts to build base areas in the mountainous regions continued and a high level of terror and assassination was maintained. The lengths to which the enemy is going in recruiting were indicated when after one recent I Corps engagement it was estimated that the average age of the seven enemy KIA was 15 years. (Similarly, in II Corps, the enemy is reported to be employing children for intelligence gathering because Government security forces do not prevent them from entering and leaving the cities.)

In III Corps, mining, interdiction of lines of communication, and attacks on outposts continued. Assassinations of hamlet officials are reported, and numerous low level reports indicate that the VC in some provinces are still promising new recruits an early victory. IV Corps reports that despite the more vigorous military efforts stimulated by General Thang, the enemy apparently still has the initiative in the countryside and continues to gather his forces for future attacks. One report states that the new automatic weapons issued to guerrilla forces prior to the Tet attacks are being withdrawn from enemy forces in contested areas, perhaps in an effort to hoard the better weapons in anticipation of later massive efforts.

The level of infiltration apparently continues to be high. Since December, it is estimated to be of the magnitude of 10,000 per month.

We have been particularly concerned about pacification in the IV Corps Delta area, where we lost the most ground in countryside from the Tet offensive. However, General Thang's efforts to get back on the offensive are beginning to pay off. RD cadre teams and supporting security elements have mostly moved back to their assigned areas, though in some cases we are reconsolidating hamlets affected by the Tet offensive rather than moving on to new hamlets. Plans have been amended to place main attention along major roads and waterways for the purpose of enhancing their security.

Better security has brought nearer to normal traffic on the roads in the northern Delta. An average of 600 vehicles per day traveled the stretch to Route 4 between Saigon and the My Thuan ferry last week. Pre-Tet traffic seldom exceeded 750 vehicles a day. Lower in the Delta and on the waterways traffic is still trickling over routes which, while physically open for traffic, are not yet secure in the judgment of truck owners, rice merchants or the local populace.

Thus change for the better is now appearing in the Delta too. Friendly activity is increasing; enemy activity is decreasing. Recovery operations are moving ahead toward a target of getting the homeless resettled before the rainy season starts 30 days from now.

The economy continues to show stagnation, both here in Saigon and in the Delta.

Saigon retail prices fell once again in the week ending April 1. They are now less than five percent above the January 2 level. Rice is at the January 2 level; pork is slightly below or somewhat above that level, depending on the cut. Inflation is not our problem today.

Problems continue to exist with respect to the marketing of agricultural products in Saigon. For security reasons most vegetables now are unloaded from trucks and reloaded onto three-wheeled vehicles at the gates of Saigon, which is costly and inefficient. The conditions of the Saigon market for foodstuffs are such that the increased costs are not being passed on to the consumer, but are being absorbed by the middlemen—and by the peasant producers. Both commercial activity and agricultural production will suffer if this situation continues.

However, the flow of goods into the city has improved. Route 20 from Dalat has generally been open, and vegetable and fruit supplies are ample given the present state of demand. Barge convoys between Saigon and the Delta are moving regularly and are bringing in appreciable supplies of rice (although larger shipments probably await announcement of the Government's new rice program). Finally, despite the fact that truck trips from the more distant parts of the Delta now take two to five days, and the further hazards produced by the somewhat chancy nature of the military road convoys, hog shipments have come back to normal; they averaged 1,732 hogs in the period March 20-27 which matches the pre-Tet level.

The relative weight of (1) VC economic warfare (ranging from psychological campaigns among the peasantry to blowing up Route 4; (2) mercantile uncertainty; and (3) the continuing but intensified frustration of trade by GVN checkpoints and regulations, in reducing Delta-Saigon trade overall, is hard to determine. In any event, recent visitors to Delta towns such as Bac Lieu report that commercial activity there is at a very low level. Furthermore, the flow of consumer goods into the area is down, and there is a serious shortage of fuel in some areas.

Continuing insecurity is the major reason for the commercial stagnancy. However, present conditions are not so bad that appropriate economic policy measures can't make a big difference. The Government now seems on the verge of announcing one such measure, whereby it will finance further credit to the rice trade, and also provide a guaranteed price for rice. This would be a big step forward.

We probably have at least another month, and maybe several, before inflation rather than stagnation is the danger. At present, the rapid increase in the money supply, up 17 percent since the end of December, is not being translated into increased prices because of the continuing low level of economic activity. At some point, when the economy picks up, as we hope and expect it to, prices may again start to follow the money supply.

XLVII

FOR THE PRESIDENT FROM BUNKER:

HEREWITH MY FORTY-SEVENTH WEEKLY TELEGRAM, APRIL 19, 1968. Since my return from Washington, I have been trying to get an overall picture of Vietnamese attitudes to the prospects of US/DRV contacts and toward peace negotiations should these result from the preliminary talks. I may say that I think these attitudes are influenced both by a feeling of apprehension and uncertainty as to the course which the U.S. will pursue and a certain feeling of inadequacy, a feeling that South Viet-Nam is not yet ready for negotiations, not as well organized or as strong as the government hopes to be three or six months from now. While the picture is still somewhat confused, it seems to me that certain lines are beginning to emerge.

A. There is a general fear and rejection of coalition government. Most opinion leaders regard coalition government as Hanoi's preferred route for taking over South Viet-Nam; and they believe that any kind of coalition government would result eventually in communist control of the country. A principal factor contributing to this feeling is the lack here of an effective, political party structure with organization at the grass roots capable of dealing with the tightly organized, highly disciplined front controlled by Hanoi.

B. While the situation in the United States, our racial problems, our balance of payments difficulties, and the coming election are not well understood by most Vietnamese, there is an uneasy feeling that these things may affect our ability to bring about an acceptable peace. This leads to a continuing fear that we may force a settlement on South Viet-Nam, which will result in an ultimate communist takeover. There is indeed a suspicion among the more cynical—which the VC are fanning—that we have in fact already engaged, in secret agreements with Hanoi, but many, perhaps most people, simply fear that our own interests will lead us to accept conditions that in the end will mean a communist victory. These fears, I think, permeate in greater or less degree, all levels of Vietnamese leadership, outside of official circles as well as in the government.

C. Vietnam anxiety about our intentions and concern about their own weaknesses are accentuated by the recent grim events in Hue. There the communists sought out and summarily executed those whom they considered as supporters of the GVN and the U.S. Hence I think it would not be going too far to say there is an element of desperation among some Vietnamese leaders.

D. Despite the above, I do not sense any panic. There is in fact a very substantial amount of positive reaction (some of which I shall describe in fol-