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FROM:

DEPARTMENT OF STATE

Aug 3 1 17 PM '67
DATE:

SUBJECT:

"Stalemate" vs. Progress in Viet-Nam: Status Report

REF:

FOR CHIEFS OF MISSION

1. There has recently been a number of statements in the press and elsewhere applying the word "stalemate" to the current situation in Viet-Nam. We believe the facts demonstrate that we have been and are continuing to make steady progress in the right direction. We do not wish to be over-optimistic, but it is important that we be aware of the solid accomplishments achieved and the present status of our efforts. We should also be realistic in facing the many complex and difficult problems which lie ahead, but we are convinced that there is no "stalemate" and the situation is not "static."

2. To place developments in Viet-Nam in proper perspective we have summarized below our views of the situation. When appropriate you should draw upon the material in discussion of the war in Viet-Nam, in particular in conversations with officials of host governments.

3. Military Progress -- Our war against the main forces and guerrilla forces of enemy has been going well. As evidence of this we have during past year:

(a) Defeated enemy forces in battle wherever found and disrupted his plans for major offensive across DMZ and in Highlands, denying him psychological victory he seeks.

(b) Engaged the enemy successfully along the Cambodian border in Pleiku and Kontum provinces.

(c) Reduced significantly enemy infiltration by sea, so as to force his reliance on infiltration through Laos and across DMZ.

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8-1-67

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(d) Increased security in coastal areas in I and II Corps, dealing major blow to guerrilla forces. This has disrupted the enemy's sources of manpower and supply in the area.

(e) Increased the difficulty the enemy faces in keeping his forces supplied and caused him to rely increasingly on North Viet-Nam for men to maintain his force level.

(f) Destroyed Viet Cong base areas north, west, and east of Saigon, thereby pushing enemy deeper into the jungles.

(g) Significantly increased percentage of "secure" and "open" roads and waterways, including the opening of all major roads and waterways to daylight traffic in the vicinity of Saigon, opening of Highway One along central coast from Phan Rang to DMZ except for short stretch along boundary between I and II Corps, and the keeping open of Highway 19 from the coast to the Highlands, and Highways 21 and 14 in the Highlands, as required to support operations.

(h) Improved the ratio of enemy killed to friendly killed and enemy weapons captured to friendly weapons captured.

4. In addition:

(a) We have improved our intelligence and developed a flexible logistical base. Port facilities are greatly improved.

(b) ARVN units assigned to main force war, while still inconsistent in their performance, have significantly improved and have fought particularly well in joint operations with US units, aided by US artillery and air support.

5. Nevertheless, it must be acknowledged that enemy still has capability of replacing troops and supplies, is giving troops better and more sophisticated weapons, has been able to mount destructive mortar and rocket attacks on our airfields and bases, and appears determined to continue war.

5. Progress in Political Field -- There has been steady and heartening progress in drawing up framework for representative, constitutional government, in developing give-and-take relationship between elected delegates to Constituent Assembly and members of military directorate, and in devising effective machinery for allowing people to vote for both local and national officials. In particular:

(a) Since early April 1967 most of the people in Viet-Nam in areas secure enough to hold elections have gone to the polls twice, once to elect village councilmen and second time to elect hamlet chiefs. These local elections represent significant reforms in that they restore local autonomy and provide important base for future wider participation in local government.

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presidential tickets and 48 rep
(Lower House elections are now scheduled

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seats of the Senate.
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(b) Elections to be held September 3 will give voters choice of eleven presidential tickets and 48 ten-man lists for the sixty seats of the Senate. (Lower House elections are now scheduled for October 22, so that entire new government can be in place by National Day November 1.

(c) There are three major presidential slates:

- (1) Chief of State Thieu and Prime Minister Ky;
- (2) former Prime Minister Tran Van Huong and respected Buddhist leader Mai Tho Truyen;
- (3) National Assembly Chairman Phan Khac Suu and Dr. Phan Quang Dan.

(d) Central election campaign committee representing all candidates is working to establish procedures for August election campaign, and indications are that most major problems have been resolved, such as transportation facilities for candidates, scheduling of radio and television interviews, organization of press conferences, and ending political press censorship.

(e) Senatorial contenders represent very broad cross section of Vietnamese non-Communist society and include many of Viet-Nam's most prominent political figures -- a healthy sign of interest in constitutional progress. It is probable that a broadly-based military/civilian government can emerge from these elections and this will have a substantial effect on creating support for government and confidence in its activities. This in turn should provide increased stability and a broader base for carrying forward the work of the government in all areas. Progress toward the development of a democratic constitutional process has been a major achievement which will have great psychological impact in Viet-Nam and abroad.

6. Economic Situation and Outlook -- The economic outlook continues to be favorable. The money supply is increasing at a moderate rate in contrast to the headlong expansion of money into the economy prior to last June's devaluation. For the year as a whole a price increase of as little as 30 percent now looks possible -- bad by US standards, but good by recent Vietnamese standards, and even by our anticipations earlier this year.

7. The economy today is in a far healthier position than it was a year ago. A tight grip has been put on piaster spending by free world military forces and more effective control established over GVN spending. GVN performance in collecting taxes is continuing to improve, but Vietnamese resources are fully employed and the pressure on the economy remains high. But while inflation has not been stopped, it is no longer out of control.

8. Other economic developments are also encouraging. For the first time, there are clear signs of spreading prosperity in the countryside. The urban classes were the first to benefit from the speedup in the economy. Workers in Saigon have wristwatches, motor bikes, and to a surprising extent TV sets. They eat far better now than a few years ago.

9. This prosperity has definitely begun to move out into the countryside, both to the major towns and into rural areas. The increased rice price has been one factor. Another is the increased consumption of domestic foodstuffs. The third is the increased availability of wage earning jobs in provincial and district towns. Finally, many country boys with city jobs are sending their earnings back to their families.

10. For the future we are now in a position to put more effort and resources into increasing agricultural production, to lower costs, and to increase the flow of goods to market. This is not only desirable as a means of reducing prices for domestic products, but also as a major complement to the pacification program. Evidence that rural security means increased rural prosperity will further impair VC efforts to enlist the cooperation and support of the rural population.

11. Current Status of the Viet Cong -- A review of information on VC activities throughout South Viet-Nam during recent weeks indicates that VC problems in the countryside and the cities are serious and increasing, and that they have had to adjust their policies and planning accordingly.

12. In the countryside:

(a) Manpower problems increasingly plague the VC in all parts of South Viet-Nam. Most provinces report severe recruiting problems and seriously understrength VC units. Manpower is lost directly through battlefield casualties, disease and hardship, desertion, and defection through the Chieu Hoi program. The reserve supply is reduced by large scale emigration from VC controlled areas, leaving some places too underpopulated to tend crops adequately or supply labor and conscripts for the VC. Popular resistance to recruitment is growing. As a result the VC are increasingly resorting to the use of women and children, even in fighting units.

(b) These factors have had an adverse effect on morale. Depressed morale and declining discipline of the rank and file are reflected in the rising rate over the last year of desertion and rallying under the Chieu Hoi program.

(c) Morale and manpower problems are in turn related to loss of popular support, which is reported in all Corps areas. Disillusionment with VC promises and propaganda, resentment against ever higher "taxes," conscription of manpower, and dwindling confidence in ultimate VC victory have worked to turn the people from the VC.

(d) Food is a critical problem in much of the first and second Corps and in the upland regions of third Corps. Even in the Delta "rice bowl" the VC are experiencing food shortages.

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(e) Reports on the unsettling effects are widespread.

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(e) Reports on the unsettling effect of constant allied pressures are widespread.

(f) In a number of provinces VC administrative centers have had to move into the hinterland to avoid friendly sweeps, and in others the VC infrastructure has been badly shaken by US and GVN pressure.

13. In urban areas: VC problems are much greater in the cities where allied security against VC operations and terrorism is greater and where the relative prosperity and availability of food make the populace less vulnerable to proselyting and propaganda. Pressure by allied forces has forced VC to abandon Gia Dinh province as a base of political and terrorist operations against the Saigon metropolitan area. In Saigon city a significant number of VC cadres have been arrested during recent months. Between 15 September 1966 and the end of May 1967, 265 VC cadres were captured in Saigon. Large scale terrorist acts in Saigon city have been inhibited to the point where the VC are resorting to indiscriminate assassination as a means of harassment and intimidation. Since the first of June the number of VC active agents arrested has risen dramatically. During the first three weeks of July, 15 sapper agents have been captured, including an F-100 battalion officer. One of the sappers arrested led to the arrest of 7 others.

14. VC policies and solutions:

(a) The VC have reacted to these problems with a number of new policies. Every province reports that priority has been given to combatting revolutionary development, Chieu Hoi and other pacification and psychological programs.

(b) Another development is an increase in indiscriminate terror. Instead of using command controlled mines on the highways to destroy military vehicles, contact mines are used which most often destroy buses and Lambrettas full of women and children. District towns are shelled or mortared more or less at random, killing far more civilians than military personnel or officials. Other measures adopted have been the transformation of combat battalions to sapper units used for terrorist attacks and sabotage, rising tax levies, and confiscation of property of families who work for the GVN or have members in ARVN.

(c) Hanoi's answer to loss of manpower and the continuing erosion of the VC structure has been greatly increased North Vietnamese presence in the South. A substantial number of VC main force and local units are in part made up of North Vietnamese troops. Along with this the directness of Hanoi's control has increased.

15. Pacification -- Although there has been a feeling in some quarters that progress in pacification has been slow, we believe that this is so only because

the concept in its present form is relatively new and requires a vast amount of organization and preparatory work. This has in fact been going on at a very satisfactory rate. The reorganization of the US advisory and supporting role which occurred in early May has been worked out with great energy. It has met with general approval and support and is now getting into high gear. Project Takeoff, concentrating on the most essential elements in revolutionary development, has been developed and is ready to go into operation. Reorganization of the intelligence setup in order to get more effectively at the VC infrastructure is nearing completion. Training of the revolutionary development teams at Vung Tau is proceeding with about 29,000 cadres trained. Our goal is to train 60,000 constituting 1,000 RD teams. Vietnamese army, Regional Forces and Popular Forces are being re-trained and motivated for work in pacification. All of these developments indicate, we believe, that once the election is behind us we should be picking up momentum and moving ahead at a faster pace.

16. Outlook -- In considering news of day-to-day events in Viet-Nam, posts should bear in mind that at this stage in war the enemy retains capacity to reinforce by introduction of North Vietnamese army units. The VC can still mount spectacular hit-and-run attacks which on occasion may inflict considerable losses in men and equipment. We would anticipate that in coming months VC will attempt to pull off further such attacks, perhaps in conjunction with political moves. However, these incidents in and of themselves will not necessarily alter the basic trend of military, political, and socio-economic developments which continues to work in our favor.

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