

IV.C Evolution of the War (26 Vols.)

Direct Action: The Johnson Commitments, 1964-1968
(16 Vols.)

9. U.S.-GVN Relations (2 Vols.)

b. Volume 2: July 1965 – December 1967

TOP SECRET - SENSITIVE



UNITED STATES - VIETNAM RELATIONS

1945 - 1967



VIETNAM TASK FORCE

OFFICE OF THE SECRETARY OF DEFENSE

TOP SECRET - SENSITIVE

J-35074/25
SET #13
0295

TOP SECRET - Sensitive

IV. C. 9. (b)

EVOLUTION OF THE WAR

US/GVN Relations: 1963 - 1967

PART II

TOP SECRET - Sensitive

Sec Def Cont Nr. X-

0295

SUMMARY
AND ANALYSIS

TOP SECRET - Sensitive

U.S.-GVN RELATIONS: JUNE 1965 - FALL 1967

SUMMARY and ANALYSIS

By the summer of 1965, the war in Vietnam had dramatically changed its complexion from the previous two years. More and more, with U.S. combat forces pouring into SVN and Rolling Thunder underway, it looked like the U.S. against the DRV. The war was no longer being fought with U.S. advice and aid alone; there was now a massive U.S. presence. While official documents still repeated the credo that it was, in the last analysis, a struggle for the GVN to win or lose, the focus of U.S. concern shifted. As the U.S. role increased and then predominated, the need for GVN effectiveness in the now and short-run received less attention. The U.S. would take care of the war now--defeat the enemy main forces and destroy Hanoi's will to persist--then, the GVN could and would reform and resuscitate itself. Only after the immediate security threat to the GVN was blunted and forced to subside did we expect our South Vietnamese ally to improve its performance on all fronts. Until then and in order to get to that point, the U.S. would concentrate on what it could do.

This view--a massive U.S. effort in the short-run leading to and enabling a GVN effort in the long-run--set the tone and content of U.S.-GVN relations. In policy terms, it meant caution in the use of U.S. leverage. There seemed to be no compelling requirement to be tough with Saigon; it would only prematurely rock the boat. To press for efficiency would be likely, it was reasoned, to generate instability. Our objective became simple: if we could not expect more GVN efficiency, we could at least get a more stable and legitimate GVN. Nation-building was the key phrase. This required a constitution and free elections. Moreover, if we could not have the reality, we would start with appearances. U.S. influence was successfully directed at developing a democratic GVN in form. Beginning in September 1966, a series of free elections were held, first for a Constituent Assembly and later for village officials, the Presidency, House and Senate.

U.S.-GVN relations from June of 1965 to 1968, then, have to be understood in terms of the new parameters of the war. Before this date, our overriding objective had to be and was governmental stability. After the Diem coup, the GVN underwent six changes in leadership in the space of one and a half years. From June 1965 on, there was relative stability. Ky and Thieu, while challenged, proved strong enough to keep their power and position. In putting down the Struggle Movement (following General Thi's dismissal by Ky) in the first half of 1966, and then delivering on the September, 1966 election, GVN effectively discredited the militant Buddhist leadership and for the time being ended its threat to political stability. Concern about possible neutralism or anarchy, which had been

TOP SECRET - Sensitive

important in U.S. thinking in 1964 and early 1965, subsided accordingly. The uneasy agreement between Thieu and Ky to run on the same ticket, resulting partly from U.S. pressure for military unity, and the subsequent transition to legitimacy, gave the U.S. a sense of relief and satisfaction, although no one suggested that GVN had yet built a broad political base or had solved its effectiveness problems. This GVN stability made possible the increased attention to pacification and nation-building.

The pacification parameter had changed as well. From 1961 to June of 1965, the U.S. flooded SVN with the advisory resources of men and money to keep the GVN afloat and RVNAF fighting. This input lacked a clear plan. After June 1965, we made a concerted effort to organize pacification. We exacted an agreement from the GVN in the fall of 1966 to shift half of its ground forces into pacification--although U.S. forces carried a share of this burden and attempted to show RVNAF how to do it. We tried to centralize pacification programs by creating a new GVN structure to control and allocate resources. This was made manifest by the establishment of a separate Ministry for Revolutionary Development. U.S. moves by stages to the unified civil-military CORDS organization in Vietnam paralleled this super-ministry for pacification. And, pacification statistics showed steady increase of GVN control in the countryside, reversing the downward trend of previous years--but, U.S. dissatisfaction with GVN performance also increased nonetheless.

Beyond and more important than all this were the U.S. efforts themselves. By the close of 1965, 170,000 U.S. combat forces were in SVN. By the end of 1967, this figure was almost half a million. By mid-1965, U.S. air strikes against North Vietnam had extended in geographic coverage up to 20°30', and approved targets had widened beyond LOC's. Total sorties rose to about 900 per week. By 1968, we were bombing throughout the North, with very few though important targets still being prohibited. Total sorties per week reached about 4,000.

It was in this context that U.S.-GVN relations took shape.

Leverage

Having suffered several backfires in the attempts to require or encourage GVN effectiveness in 1964, the Embassy and Washington generally preferred to let well enough alone in 1965 through 1967. The U.S. limited itself to only a few demands, and usually avoided direct confrontations at the top levels of government-to-government contact.

The U.S. had one repetition of its old backfire problem following the Honolulu Conference of February 1966. President Johnson embraced Ky publicly and endorsed his government; Ky then felt strong enough to move against General Thi, who had been making trouble generally and was almost openly waiting for his chance to take over the GVN. Ky eventually succeeded in removing Thi and getting him out of the country, but at the cost of returning

TOP SECRET - Sensitive

to a degree of chaos in May that was in some ways worse than any suffered in 1964 under Khanh. At the height of the crisis, the U.S. went so far as to use force and the threat of force against both sides to keep the confrontation between GVN and the Struggle Movement within bounds. There was no sign of ill effects from our boldness in this instance.

Whatever interest there was in putting pressure on the top levels of GVN was stronger in Washington than in the Embassy, and stronger in the Embassy than in MACV, as it had been in the past. But the past failures of such pressures made everyone gunshy. At one point, Washington felt so strongly about the high GVN dollar balances that it sent out its own representative to negotiate with GVN, and he freely threatened to cut down U.S. dollar aid. However, neither Washington nor the Embassy suggested doing anything so drastic as holding up aid payments and projects until a satisfactory agreement could be reached. Confident that the threats were empty, GVN dug in its heels and gave us nothing but more promises.

Although the U.S. played down pressure or leverage on the top level of GVN, the idea of leverage at lower levels enjoyed a resurgence. Interest in the subject reached a low point in June 1965, when we abandoned the "troika signoff," which had given U.S. province representatives veto control over the use of AID direct-support commodities. For four months starting October 1, 1965, MACV experimented with giving its sector advisors a petty cash fund for urgent projects; however, MACV then dropped the idea. In April 1966, Lodge urged restoration of these types of leverage, and the idea kept coming up thereafter. Two major studies, one in Saigon in 1966 and one in Washington in 1967, came down strongly for regular procedures to use our material support to put pressure on lower echelons of GVN. They particularly emphasized signoff systems and the like, including U.S. distribution of MAP support within Vietnam. But the fear that such methods would prove counter-productive, either by provoking resistance or by making Vietnamese officials more dependent on our people and less able to perform on their own, prevented adoption of the proposals.

In at least three instances, AID cut off its support to a province in order to pressure the province chief. In September 1965, AID accused the province chief of Binh Tuy of misuse of AID funds, and had to withdraw its personnel from the province and cut off support to it after threats on their lives. The incident got into the papers and embarrassed both GVN and the Embassy; after several weeks GVN moved the accused officer to another job, and AID resumed its program in the province. In June 1966, AID cut off shipments to Kontum province for four days to force the province chief to account for the end uses of AID commodities. In August 1967, CORDS cut off shipments to Bien Hoa province for eleven weeks for similar reasons.

In contrast, MACV scrupulously avoided withholding MAP support from military units, regardless of circumstances. The single case of record of

TOP SECRET - Sensitive

taking away MAP support involved two fishing boats owned by the Vietnam Navy that were found ineligible for such support. In his reaction to the PROVN Report in May 1966, in his directives to advisers around the time of the Chinh-Hunnicuttt affair in the fall of 1966, and in his reaction to Washington inquiries in May 1967, COMUSMACV consistently brushed aside criticism of ARVN and told both his superiors and his subordinates to lay off. Whatever interest in leverage there was at lower levels in the field received no backing from COMUSMACV. In March 1966, a decision to transfer MAP for Vietnam to service funding had no effect on leverage because MACV continued to put material support in Vietnamese hands as soon as it entered the country.

Although AID tried some leverage in this period, and although the Ambassador, the Mission, and officials tuned to U.S. domestic pressures urged U.S. leverage for GVN reforms, there is still no documented study of GVN's failures, of the reasons for it, and of the ways that leverage of different types might help improve GVN permanently. The basic problem of concern is GVN's overall failure to do its civil and military jobs. Leverage in the hands of U.S. personnel might assure that GVN would do particular things we want; but we have no information on what kind of leverage, if any, would reform GVN. From 1964 onwards, high U.S. officials, including McGeorge Bundy and Secretary McNamara, have said at one time and another that thorough reform of GVN is necessary; but no one has found or even seriously proposed a way to do it. Encadrement proposals, prominent before June 1965, still received occasional mention; but these proposed to make up for GVN's deficiencies by substituting U.S. control for GVN control, and do not purport to reform GVN itself. If this problem has a solution, we have yet to find it.

The Embassy's Lack of Political Contact

The turbulent events of 1964 and early 1965 had shown that the Embassy had no effective system, either through overt or covert contacts, for finding out what was going on. Nothing was done subsequently to correct this problem. CAS people talked to a few official contacts, who told them things the Vietnamese wanted the U.S. to believe; but CIA had and has no mandate or mission to perform systematic intelligence and espionage in friendly countries, and so lacks the resources to gather and evaluate the large amounts of information required on political forces, corruption, connections, and so on.

General Thi began sounding out his U.S. contacts on whether the U.S. appreciated his superior qualities as a potential leader of Vietnam as early as August 1965; and in other ways we had plenty of warning that there would be trouble. However, we showed no feel for cause and effect. President Johnson's embrace of Ky at Honolulu in February, 1966, could only have had a divisive effect when Ky commanded so little solid support within his own country. On the one hand, civilians and the military had flouted U.S. wishes so often in the past that express U.S. support scarcely counted for much; but on the other hand, Ky's weakness and Thi's known ambitions tempted Ky to get whatever mileage he could out of our support. In the subsequent turbulence,

TOP SECRET - Sensitive

all parties again flouted U.S. wishes freely, stopping short only when the U.S. used force and the credible threat of force to oppose them. The maneuverings of the various political groups seemed to surprise the Embassy repeatedly. The same problems arose in the GVN cabinet split and crisis just before the Manila Conference in October 1966. The blandly naive language of the "Blueprint for Vietnam" in late 1967, unmodified by any back channel elaboration, offered no hope of any foreseeable improvement.

The MACV Role

The MACV organization played an important, mostly hidden, role in U.S.-GVN relations. At every level from Saigon to the districts, the advisory structure was the most pervasive instrument of intergovernmental contact. ARVN officers were accustomed to being spoon-fed military advice; so when military dominance of GVN brought these same officers to high positions in government, the advisor relationship conferred a latent diplomatic role upon MACV. Advisors were used as channels of communications on political and pacification matters. (On occasions such as the attempts to get Thi to meet Ky or to leave the country, senior MACV officers openly became diplomatic emissaries.)

We have less record than we would like of COMUSMACV's influence. He reported regularly to his military seniors only on strictly military matters. Detailed reports of his routine, daily dealings with counterparts were not required of MACV as they were of the Embassy.

From time to time, COMUSMACV revealed his own independent objectives. He sought protection of the ARVN officer corps from unfavorable press stories in order to preserve their solidarity and morale; he pressed zealously for the rapid build-up of U.S. ground forces; he opposed encadrement and combined command with ARVN; he rejected sanctions against ARVN; he objected to the initial constraints on the use of American forces and wanted to be free to operate independently of ARVN.

General Westmoreland's strong position usually assured that his view prevailed. Extension of advisors, increased MAP resources, and the build-up of U.S. ground forces enhanced his relative position. By October 1966, MACV had numerical superiority of forces over Regular RVNAF; by late 1967, MACV had over 400 square miles of bases. His freedom from detailed reporting of daily contacts was itself an element of strength. When he received unwanted advice and directives, he set up studies, and, after a time, proceeded as usual. This tendency was most notable in the case of leverage, already noted, and combined command. Likewise, MACV successfully resisted taking over the bulk of Saigon Port operations, despite pressure from Washington, and delayed for about a year the move to take division commanders out of the pacification chain of command. Another instance of MACV independence showed up when Rusk and Lodge wanted to keep U.S. men and equipment out of the confrontation between GVN and the Struggle Movement in I Corps, but they failed to tell MACV about it. On April 5, MACV went ahead and airlifted two battalions of Vietnamese Rangers to Danang; after that Lodge put a stop to it.

TOP SECRET - Sensitive

Vietnamese Non-Performance and Sensitivity

Although population control statistics began to improve in 1966 and continued to do so in the first half of 1967, and although this seemed partly associated with the creation of the Ministry of Revolutionary Development and with the emphasis on its programs, few suggested that this progress could be held if U.S. forces withdrew. The drumbeat of criticism from field personnel, and the documented cases of non-performance on high-level matters, made it clear that there was no real improvement in GVN performance. Corruption and inaction showed no signs of improvement; province chiefs and military commanders singled out by U.S. advisers as urgently needing removal were simply shuffled around, if moved at all, and often promoted. Increasing traffic in the Port of Saigon led to acute congestion problems, which GVN failed to clear up or materially improve.

Moreover, on issues purportedly relating to sovereignty or "face," the Vietnamese continued to be quite sensitive, and the U.S. was afraid to inflame this sensitivity. Both sides avoided many delicate topics. A prime example is the lack of a bilateral treaty. The U.S. presence has always been based on the Pentalateral Protocol of 1950, signed by France, the Bao Dai government, Laos, Cambodia and the U.S., which gave U.S. advisers and officials virtual diplomatic status--an arrangement reasonable back when there were less than two hundred of them in all Indochina, but of dubious applicability to the hundreds of thousands now there. This matter has cropped up from time to time, as in the case of American civilians being tried for currency violations in Vietnamese courts, where they were subject to extortion. Both governments cooperated in smoothing things over after a momentary disagreement over jurisdiction, and have avoided stirring things up.

Shared sensitivity (and legitimate concern for an independent RVNAF role), closely related to the lack of a bilateral treaty, prevented any move toward joint command and U.S. control of all military operations in Vietnam. Both Westmoreland and the Vietnamese preferred to operate either separately or in loosely coordinated joint operations. The Embassy looked the other way from repressive police measures and political arrests unless these led to embarrassing press stories; and when the Ambassador would raise this type of issue with the GVN, it proved always to be touchy. Especially under Lodge, the Embassy tried to protect GVN from the press and to help it build a favorable image.

Vietnamese sensitivity sometimes led to open displays of anti-Americanism. These displays reached a climax in the Struggle Movement crisis in the first half of 1966, when the Buddhists openly accused the U.S. of helping GVN crush them, and they sacked and burned the U.S. Consulate in Hue. Moreover, newspapers reflecting officials views would occasionally publish stories expressing fear of a U.S. sellout in negotiations, anger at U.S. intervention in Vietnamese affairs (as happened during the Chinh-Hunnicuttt affair), and other anti-American themes.

TOP SECRET - Sensitive

Vietnamese Compliance More in Form Than in Substance

The Vietnamese, nevertheless, showed a ready willingness to declare new policies, sign decrees, and engage in joint studies at our request. But as noted, that scarcely means that we got what we wanted on such matters. Ky was always willing to issue decrees purporting to clear up the port problem, and to make public declarations against corruption. On economic policy, Ky and Hanh gave us one agreement after another promising to control inflation and to run down their dollar balances. The relations of their military with MACV showed the same pattern.

The Vietnamese military, on whom the U.S. counted most heavily, continued as in earlier periods to have far more enthusiasm for external adventures than they did for getting on with the job of effective government and pacification. They promised much on this latter score, but delivered little. Knowing that we had no one else to turn to, they continued their old habits and often openly did what they pleased about important matters, such as the airlift of troops to Danang in May, 1966.

Examples of superficial compliance are almost too numerous to mention. The Honolulu Conference of February 1966, produced over sixty agreed points between the two governments on all areas of mutual interest; getting any follow-up proved to be like pulling teeth, and then the follow-up we got was nothing more as a rule than more promises. Likewise, at the Manila Conference much the same thing happened, where GVN agreed to programs for social revolution, economic progress, and so on. However, at our insistence they did go ahead with the constitution and elections, and they shifted half of ARVN into pacification. How much substantive improvement these moves will produce still remains to be seen.

GVN taste for foreign adventure showed up in small, irritating ways. In July 1965, Thi planned unauthorized operations in the DMZ, but we stopped him. In 1967, we discovered that GVN had brought in Chinese Nationalists disguised as Nungs, to engage in operations in Laos; also, they sent a group to put an airfield on an island 170 miles south of Hainan, apparently without consulting MACV.

Conclusion

Increasingly throughout 1967, GVN legitimacy and performance became a domestic political issue in the U.S. as well as a source of concern for policy-makers. No matter what issue was raised, the central importance of the GVN remained. If we wanted to pacify more, we had to turn to the Vietnamese themselves. If we desired to push for a negotiated settlement, we had to seriously weigh the possibilities of SVN collapse. In the last analysis, it was and is a war which only GVN legitimacy and effectiveness can win.

CHRONOLOGY

TOP SECRET - Sensitive

IV.C.9

PART II.

CHRONOLOGY

<u>DATE</u>	<u>EVENT OR DOCUMENT</u>	<u>DESCRIPTION</u>
22 Jun 65	Memorandum from Vincent Puritano to James P. Grant 25 Sep 65, "Joint Provincial Sign-off Authority," with attachment	Troika sign-off abandoned.
1 Jul 65	SD PM 1 Jul 65 Sec 8B	SecDef Memorandum to the President. recommends more aid for Vietnam.
1 Jul 65	Saigon to State 14, 2 Jul	Taylor writes a letter to Ky asking him to support constructive USOM/GVN consultations on economic matters and the port.
8 Jul 65	COMUSMACV to CINCPAC DTG 080020Z Jul	MACV and RVNAF agree on coordination and cooperation, and do not discuss combined command.
20 Jul 65	SD PM 20 Jul para. 8B	SecDef Memorandum to the President recommends U.S. veto on major GVN commanders and on GVN statements about going North.
28 Jul 65	Saigon to State 266, 25 Jul	USOM and GVN agree on AID package with no leverage.
15-26 Aug 65	Saigon to State 626, 26 Aug	Lodge replaces Taylor, takes charge of the Embassy. Ky tells Lodge the U.S. forces should hold strategic points so that RVNAF can concentrate on pacification, and says that the Chieu Hoi Program is a waste of money.
28 Aug 65	Saigon to State 671, 28 Aug	Thi tells Lodge he can govern better than Ky can.
22 Sep 65	COMUSMACV Command History 1965, p. 240	COMUSMACV presents proposals for revitalization of Hop Tac to USOM.
1 Oct 65	COMUSMACV Command History 1965, p. 240	MACV begins four-month experiment with sector and subsector advisor funds.

TOP SECRET - Sensitive

<u>DATE</u>	<u>EVENT OR DOCUMENT</u>	<u>DESCRIPTION</u>
3 Nov 65	SecDef DFM	McNamara urges more active role for U.S. advisors.
15 Dec 65	COMUSMACV Command History 1965, p. 241.	JGS Directive AB 140 gives GVN military plan to support 1966 Rural Construction program.
24 Dec 65	State to Saigon 1855 31 Dec	Beginning of 37 day bombing pause and peace offensive.
6-8 Feb 66	State to Saigon 2252 4 Feb "Vietnam: Honolulu Conference-Summary of Goals and Status of Activity," 30 Mar	Honolulu Conference to press GVN for action on pacification and on political and economic reforms. Thieu and Ky obligingly agreed to U.S. demands. Vice-President Humphrey flies with them back to Saigon.
10 Mar 66	Kahin and Lewis, <u>The U.S. in Vietnam</u> , p. 244 and passim; Saigon to State 3260 and 3265 9 Mar	Ky persuades military leadership to approve his plan to exile I Corps Commander, General Thi. Thi resigns.
12 Mar 66	Kahin and Lewis, <u>The U.S. in Vietnam</u> , p. 245; and Saigon 3333 14 Mar	Annamese Buddhists and students begin demonstration in Danang and Hue.
16 Mar 66	Saigon to State 3381 17 Mar	Thi permitted to return to Danang to quiet demonstrations.
March 1966	COMUSMACV Command History 1966, p. 510 CINCUSARPAC 240312Z May	PROVN Study completed.
3 Apr 66	COMUSMACV Command History 1966, p. 824.	Ky declares Danang to be in Communist hands.
5 Apr 66	COMUSMACV Command History 1966, p. 824; MACV to CINCPAC DTG 051125Z Apr; Saigon to State 2986 5 Apr	MACV airlifts two ARVN Ranger battalions to Danang. 1st ARVN Division commander declares for the Struggle Movement; U.S. advisors withdrawn.

TOP SECRET - Sensitive

<u>DATE</u>	<u>EVENT OR DOCUMENT</u>	<u>DESCRIPTION</u>
6 Apr 66	COMUSMACV Command History 1966, p. 824	Non-essential U.S. civilians removed from Hue.
8 Apr 66	COMUSMACV Command History 1966, p. 824	GVN flies two additional Ranger battalions to Danang after MACV refused to do so.
9 Apr 66	COMUSMACV Command History 1966, p. 824	U.S. protest to Struggle Movement leaders induces them to pull back howitzers. Two hundred U.S. and third country civilians evacuated from Danang.
12 Apr 66	COMUSMACV Command History 1966, p. 324; Kahin and Lewis <u>The U.S. in Vietnam</u> , p. 256	GVN withdraws its Ranger battalions from Danang. Relative quiet returns.
14 Apr 66	COMUSMACV Command History 1966, p. 324; Kahin and Lewis <u>The U.S. in Vietnam</u> , p. 256	The Directorate promises elections for a constituent assembly with 3-5 months. Buddhists and others call off demonstrations.
4 May 66	Kahin and Lewis <u>The U.S. in Vietnam</u> , p. 256; Saigon to State 4368 4 May and 4605 15 May	Ky publicly reneges on promises to hold August elections, says perhaps they will be possible by October. Lodge absent on long trip to Washington. Porter follows State guidance closely.
15 May 66	State to Saigon 3448, 3449, 3450 and 3451 15 May	GVN airlifts troops to Danang and Hue to quell new disorders. U.S. withholds airlift protests GVN failure to consult, withdraws advisors from both sides.
16 May 66	Saigon to State 4627 and 4635 16 May	USMC General Walt threatens to use U.S. jets to shoot down any VNAF aircraft used against dissident ARVN units. The threat succeeds.
21 May 66	State to Saigon 3575 21 May	Lodge returns, tells Ky to be conciliatory, use force with restraint. He does around Saigon pagodas, but naked force in Hue produces self-immolations. U.S. evacuates its consulate and other facilities there.

TOP SECRET - Sensitive

<u>DATE</u>	<u>EVENT OR DOCUMENT</u>	<u>DESCRIPTION</u>
27 May 66	Saigon to State 4837 21 May 4849 and 4878 23 May, 4943 and 4963 25 May, 4966 26 May, 5037 27 May, 5073 28 May, 5178 1 Jun, and 1947 7 Jul; Kahin and Lewis <u>ibid.</u>	Ky and Thi meet; latter offered un- specified ARVN job.
31 May 66	Saigon to State 5163 and 5178 1 Jun	Ky meets leaders of the Buddhist Insti- tute, offers civilian participation in an enlarged Directorate. They appear conciliatory and agree to appointment of General Lam as Commander of I Corps.
1 Jun 66	NYTimes Article	Student mob burns U.S. consulate and consular residence in Hue. Struggle Movement fills the streets with Buddhist altars.
5 Jun 66	NYTimes Article	Electoral Law Commission presents its proposals.
18 Jun 66	NYTimes Article	Piaster devalued to official rate of 80.
18 Jun 66	Kahin and Lewis <u>The U.S. in Viet- nam, p. 257</u>	Anniversary of Thieu-Ky government pro- claimed a GVN holiday; one-day general strike called by the Buddhists.
19 Jun 66	Kahin and Lewis <u>The U.S. in Viet- nam, pp. 258-59.</u>	Directorate schedules elections for the Constituent Assembly for 11 September.
22 Jun 66	Kahin and Lewis <u>The U.S. in Viet- nam, p. 257.</u>	Conditions quiet in I Corps; GVN steadily regaining control.
8-9 Jun 66	NYTimes Article	Secretary McNamara visits Honolulu for talks with CINCPAC.
31 Jul 66	State to Saigon 1694 29 Jul 2564 3 Aug	Thi goes into exile.
13-14 Aug 66	NYTimes Article	General Westmoreland reports to the President at his Texas ranch.

TOP SECRET - Sensitive

<u>DATE</u>	<u>EVENT OR DOCUMENT</u>	<u>DESCRIPTION</u>
24 Aug 66	"Roles and Missions" Study 24 Aug	"Roles and Missions" Study to the Embassy.
11 Sep 66	NYTimes Article	Constituent Assembly elections.
4 Oct 66	Saigon to State 7616 4 Oct, 7732 and 7752 5 Oct, 6043 7 Oct, 8681 17 Oct, 8749 18 Oct, 8833 19 Oct, 8839 20 Oct. State to Saigon 66781 14 Oct and 68339 18 Oct	GVN cabinet crisis brews as six civilian ministers, the only Southern members threaten to resign.
5 Oct 66	COMUSMACV Command History 1966, p. 526	JCS chairs a high level joint conference to develop a schedule of action to implement road development.
6 Oct 66	State to Saigon 49294 16 Sep 49399 17 Sep Saigon to State 6997 27 Sep State to Saigon 58092 30 Sep 61330 6 Oct 58280 2 Oct	Hanh and Komer reach vague and general agreement on GVN budget and financial matters.
10-13 Oct 66	NYTimes Article	Secretary McNamara, accompanied by newly appointed Under Secretary of State Katzenback visits Saigon. Saigon Port congestion grows worse.
14 Oct 66	SecDef Memorandum to the President	In FM McNamara urges shift of ARVN to pacification, change of US responsibility to MACV, "drastic" reform of GVN.

TOP SECRET - Sensitive

<u>DATE</u>	<u>EVENT OR DOCUMENT</u>	<u>DESCRIPTION</u>
19 Oct 66	Saigon to State 7616 4 Oct, 7732 and 7752 5 Oct, 8681 17 Oct, 8749 18 Oct, 8833 19 Oct, and 8839 20 Oct, State to Saigon 66781 14 Oct, 68339 18 Oct	Cabinet crisis patched up at least until after Manila Conference.
24-25 Oct 66	NYTimes Article Texts of Communi- que and Declarations Signed at Close of Manila Conference 26 Oct	Manila conference of the seven nations aiding South Vietnam. Basic problem is still to get GVN commitment to action on non-military measures.
1 Nov 66	Saigon to State 10312 7 Nov, 11958 29 Nov	Promised GVN National Reconciliation pro- clamation fails to appear; instead only vague reference in a speech on other sub- jects. Ky promised a NR speech and proclamation in "early December".
2 Nov 66	Saigon to State 9963 3 Nov	Komer and Porter in Saigon reach agree- ment with GVN on foreign exchange.
2 Nov 66	Saigon to State 7815 6 Oct and 8161 1 Oct	Ky promises a tough decree on port management.
18 Nov 66	Saigon to State 11249 18 Nov 11431 21 Nov State to Saigon 93314 28 Nov	General Quang, deposed IV Corps Commander, appointed to head the new cabinet portfolio "Planning and Development". Concern continues in Washington over AID diversions.
21 Nov 66	COMUSMACV msg 50331 21 Nov	In a policy statement, COMUSMACV tells advisors that deficiencies of non- compliance are to be resolved within RVNAF channels.
29 Nov 66	MACV Commanders Conference 20 Nov	Washington reminds the Mission that GVN has not yet delivered on its Manila promises about NR, pacification, and land reform; suggests Lodge press Ky.

TOP SECRET - Sensitive

<u>DATE</u>	<u>EVENT OR DOCUMENT</u>	<u>DESCRIPTION</u>
2 Dec 66	Saigon to State 12321 2 Dec	Saigon declines to suggest formation of a joint inspectorate general to follow up AID diversions.
December 1966	Saigon to State 14009 22 Dec, 12733 7 Dec, 12908 and 12950 9 Dec, 13046 10 Dec, 14009 and 13023 22 Dec, 14112 23 Dec, 14230 26 Dec	Further GVN-USOM negotiations on the dollar balance problem.
8 Dec 66	COMUSMACV to CINCPAC 080245Z Dec	Ceremonial singing of the 1967 Combined Campaign Plan by COMUSMACV and Chief, JGS.
December 1966	Saigon to State 15569 13 Jan 67	Saigon Port congestion grows worse during GVN port commander's "great barge" experiment. State authorizes drastic action which Saigon declines to use.
21 Dec 66	COMUSMACV History 1966 pp. 471-72	Chinh-Hunnicutt affair terminated with transfer of the U.S. adviser outside the theatre and issuance of a memorandum by the division commander stating that the past must be forgotten.
January 1967	NYTimes Article	U Thant advances proposals for peace. President promises careful evaluation. Ky foresees negotiations nearing. Lodge predicts sensational military gains in 1967.
2 Jan 67	Saigon to State 14725 2 Jan	U.S. Mission estimates GVN inflationary budget gap at 14-20 billion piasters.
7 Jan 67	NYTimes Article	Ky signs laws providing for spring elections in 1000 villages and 4000 hamlets.
13 Jan 67	Saigon to State 15569 13 Jan	Saigon resists Washington suggestion for complete MACV takeover of Saigon port.
20 Jan 67	Saigon to State 16037 20 Jan	GVN issues Cy 1967 budget of 75 billion piasters without prior consultation with U.S.

TOP SECRET - Sensitive

<u>DATE</u>	<u>EVENT OR DOCUMENT</u>	<u>DESCRIPTION</u>
23 Jan 67	State to Saigon 123223 21 Jan	Renewed economic negotiations forseen with Hanh in Washington.
24 Jan 67	NYTimes Article	JGS Chief of Staff Vien appointed to replace corrupt Defense Minister Co, who is informed on visit to Taiwan not to return.
20 Feb 67	Saigon to State 18646 22 Feb	GVN agrees to work on an interim memorandum of understanding to include implementation of the previous November's foreign exchange agreements. Komer threatens to reduce CIP; Hanh hints at a raise in the piaster rate.
24 Feb 67	NYTimes Article State to Saigon 140250 19 Feb Saigon to State 18303 18 Feb	Ky postpones U.S. visit to assure free and fair elections.
10 Mar 67	Saigon to State 19902 9 Mar, 20053 10 Mar, 20201 13 Mar, State to Saigon 153512 11 Mar	U.S. announces military jurisdiction over American civilians, thus skirts the problems of corrupt GVN justice and status of forces.
17 Mar 67	State to Saigon 157064 17 Mar	Another "Interim Agreement" reached with GVN on foreign exchange.
19 Mar 67	NYTimes Article	Constituent Assembly unanimously approves new consitiution. Next day it is unanimously approved by the military junta and a copy presented to President Johnson at Guam meetings between top level GVN-US leadership.
20-21 Mar 67	NYTimes Article Joint Communique Guam Meetings 21 Mar	Guam meetings between top level GVN-US leadership. President Johnson introduces the new U.S. team in Saigon; Bunker to be Ambassador, Locke his deputy, Komer the new pacification dzar within the MACV framework.
6 Apr 67	NYTimes Article	General Abrams appointed Deputy to COMUSMACV.

TOP SECRET - Sensitive

<u>DATE</u>	<u>EVENT OR DOCUMENT</u>	<u>DESCRIPTION</u>
18 Apr 67	Saigon to State 23376 18 Apr	GVN issues a National Reconciliation proclamation that proves to be a mirage; it emphasizes solidarity vice reconciliation.
25 Apr 67	NYTimes Article Saigon to State 23749 23 Apr	Lodge completes his stint, leaves Saigon.
27 Apr 67	NYTimes Article	General Westmoreland confers with LBJ in Washington, addresses Congress the next day.
7 May 67	COMUSMACV MAC J 341 15064 to CINCPAC 071035Z May	General Westmoreland reports on his command project to improve RVNAF performance, offers \$7800 saving in cut-off of MAP support to two VNN fishing boats as sign of progress. ARVN evaluation only partially completed.
12 May 67	NYTimes Article Saigon to State 25554 12 May	Premier Ky announces he will seek the Presidency. Thieu-Ky rivalry intensifies..
20 Jun 67	Saigon to State 28409 20 Jun	Thieu and Ky invited to informal luncheon hosted by Bunker at which unity of the Armed Forces is discussed.
22 Jun 67	State to Saigon 213380 22 Jun	Mission estimates rate of inflation in SVN to be 45-50% per year.
29-30 Jun 67	Saigon to State 29258 30 Jun	The Armed Forces Council of 50-60 officers holds two day continuous session from which emerges the Thieu-Ky ticket.
7-8 Jul 67	NYTimes Article OSD(SA) Memorandum 25 Jul, "SecDef VN Trip Briefings"	Secretary McNamara makes his 9th visit to SVN.
17 Jul 67	NYTimes Article Saigon to State 1381 19 Jul 1475 20 Jul	CA approves Thieu-Ky ticket; rejects the threatening Big Minh candidacy.
24-25 Jul 67	NYTimes Article	Clifford-Taylor mission receives Saigon briefings.

TOP SECRET - Sensitive

<u>DATE</u>	<u>EVENT OR DOCUMENT</u>	<u>DESCRIPTION</u>
12 Aug 67	NYTimes Article	Army C/S General H. K. Johnson reports we are winning, latest 45,000 man troop increase to be the last.
26 Aug 67	AmEmb Saigon to SecDef, Blueprint for Viet-Nam, 26 Aug	Mission completes "Blueprint for Vietnam."
3 Sep 67	NYTimes Article	Elections for President and Senate.

TABLE OF CONTENTS
AND TEXT

TOP SECRET - Sensitive

IV. C.

US/GVN RELATIONS: 1963 - 1967

PART II

TABLE OF CONTENTS AND OUTLINE

	<u>Page</u>
I. <u>THE KY GOVERNMENT'S EARLY MONTHS: THE COUP TO THE EMBRACE AT HONOLULU, FEBRUARY 1966</u>	1
1. The Ky Government's Inheritance.....	1
2. The Ky Government and the U.S. Start Their Dealings, June-July 1965.....	1
3. Quiet Sailing Through January, 1966.....	4
4. The Honolulu Conference of February 6-8, 1966.....	9
II. <u>A REBELLION, A CONSTITUENT ASSEMBLY, AND THE HARDSHIPS OF NEGOTIATING WITH A "WEAK" GOVERNMENT</u>	11
1. The Rise of the Struggle Movement, March 1966.....	11
2. Ky's First Attempt to Suppress the Struggle Movement, April 1966.....	15
3. Violence Explodes in May, 1966.....	17
4. Ky Restores GVN Control in I Corps, June 1966.....	20
5. Revolutionary Development, March-June, 1966.....	22
6. Lodge Favors Decentralized Leverage.....	25
7. The Military Advisory Program, March-July, 1966.....	26
8. Economic Policy and the Port of Saigon, April-June, 1966.	27
9. Political Affairs in the Third Quarter, 1966.....	29
10. The Roles and Missions Study.....	31
11. Economic Policy and The Port, Third Quarter, 1966.....	33

TOP SECRET - Sensitive

	<u>Page</u>
III. <u>A SEVEN NATION CONFERENCE, LEGITIMATE GOVERNMENT, AND HIGH HOPES FOR THE FUTURE, OCT 1966-SEP 1967</u>	34
1. The Manila Conference, October 1966.....	34
2. Bargaining Begins on National Reconciliation, October-December 1966.....	35
3. More Hard Bargaining on Economic Policy and the Port, October-December 1966.....	36
4. Corruption Becomes an Issue at Year's End.....	38
5. Political Matters at Year's End, 1966.....	39
6. Pacification and the Shift of ARVN.....	40
7. Military Advisory Matters at Year's End, 1966.....	41
8. Constitution-Writing in January, 1967.....	43
9. Foreign Exchange Negotiations and the GVN Budget, January-March 1967.....	44
10. The Saigon Port Again.....	47
11. Minor But Prickly Problems, January-March 1967.....	48
12. The Other War.....	49
13. Guam Meetings, March 20 and 21, 1967.....	49
14. Routine Matters, April-September, 1967.....	50
15. The GVN Presidential Election.....	52
16. Blueprint for Vietnam, August 1967.....	54
17. The Leverage Study.....	56
18. Postlogue.....	58

TOP SECRET - Sensitive

PART II

US/GVN RELATIONS IN THE KY-THIEU PERIOD
JUNE 1965 - FALL 1967

Chapter I - The Ky Government's Early Months: The Coup
to the Embrace at Honolulu, February 1966

1. The Ky Government's Inheritance 1/

Nguyen Cao Ky, Commander of the Vietnamese Air Force, joined with other "Young Turks" of the Vietnamese Armed Forces to overthrow the civilian government of Prime Minister Quat on June 12, 1965. Attempts at civilian government had limped along since October, 1964, following riots in August-September that had forced the generals to withdraw Khanh's military-dictatorial constitution and to promise civilian rule. That entire period had been marked by riots, coups, and attempted coups. By June, when Quat and the civilian President Suu found themselves in an impasse, Ambassador Taylor easily acquiesced in the return to direct military rule.

Pacification kept lagging, and the dark military picture forced the U.S. to decide in June to pour U.S. troops into the country as fast as they could be deployed. The pattern of GVN civil and military ineffectiveness had led the U.S. Government to resolve to do it ourselves, and to abandon any hope of forcing or inducing GVN to do the job without us. All concerned knew that the Young Turks now in open control of GVN had repeatedly defied Ambassador Taylor and had gotten away with it. Attempts at top-level leverage on GVN had produced a virtual diplomatic rupture for a few days at the end of 1964 and the beginning of 1965, and the U.S. was in no mood to try it again.

2. The Ky Government and the U.S. Start Their Dealings, June-July 1965

With Vietnam's return to overt military government, the political blocs with their private armies, perhaps exhausted, bided their time. Communication improved between the U.S. and GVN to a state of cool correctness, gradually revealing lower-level GVN's intention to go on coasting as it always had and higher-level GVN's intention to serve its own interests.

The day after the coup, COMUSMACV cabled CINCPAC in alarm about the military picture, requesting authority to send U.S. troops on offensive missions. He recalled that ARVN had lost five infantry battalions on the battlefield in the last three weeks, and he stated that the only possible U.S. response was the aggressive employment of U.S. troops together with the Vietnamese general reserve forces.

TOP SECRET - Sensitive

To meet this challenge successfully, troops must be maneuvered fully, deployed and redeployed as necessary. 2/

To demonstrate how completely the initiative changes on the subject of combined command, Saigon announced to Washington in mid-June its intention within the next few days to conduct a backgrounder on command relationships. 3/ A reply from the Secretary of Defense said,

As basis for Washington review of proposed Westmoreland backgrounder on command relationships and MACV organizational structure, please furnish draft of text he will use... 4/

In late June, General Westmoreland was authorized by Washington to "commit U.S. troops to combat, independent of or in conjunction with GVN forces in any situation in which use of such troops is requested by an appropriate GVN commander and when, in COMUSMACV's judgment, their use is necessary to strengthen the relative position of GVN forces." 5/

Premier Ky, obviously wishing to play down an issue sensitive to both governments, told Ambassador Taylor he saw no particular reason for any drastic change from the previous practice of combat support. In any specific situation, he said that command should be worked out in accordance with "good sense and sound military principles." 6/ Additional deployments caused no problem, and indeed GVN now asked for more US/FW forces than could be deployed or were approved. But in response to a query, Taylor waved aside any hope of using deployments for leverage. Discussions of combined command avoided joining issue and left matters unchanged. 7/

Although Taylor's initial reaction to Ky was one of apprehension, he was soon impressed by Ky's aggressive performance including his 26-point program. He doubted Ky's ability to implement the program, but concluded that military government was less likely to abandon the war effort and thus should be supported. 8/

Early in 1965, AID had decided to stop buying piasters for U.S.-controlled sector funds, and in June agreed with the GVN to change the province procedures. Effective June 22, 1965, the Vietnamese Province Chief would requisition and release AID commodities on his own authority, and all supporting funds came through regular GVN channels. The new procedures included elaborate reporting steps both when the U.S. advisers concurred and when they nonconcurred with the Province Chief's actions. In practice, the change reduced U.S. adviser's leverage. 9/

On July 1, Secretary McNamara submitted a memorandum to the President reviewing all aspects of Vietnam policy. However, he naturally concentrated on U.S. deployments, and had little to say on GVN's problems. In a section titled, "Initiatives Inside Vietnam," his only significant

TOP SECRET - Sensitive

recommendations were that we should increase our AID to GVN and that Chieu Hoi Program should be improved. However, in another memorandum to the President on July 20, following a trip to Saigon, McNamara suggested that the U.S. Government should lay down some terms for its assistance. GVN was again pressing for more U.S. forces than were available. He mentioned rice policy, plus a "veto on major GVN commanders, statements about invading NVN, and so." 10/

McNamara's overall evaluation was deeply pessimistic, making clear why he recommended increased U.S. forces at that time:

Estimate of the Situation. The situation in South Vietnam is worse than a year ago (when it was worse than a year before that). After a few months of stalemate, the tempo of the war has quickened. A hard VC push is now on to dismember the nation and to maul the army. The VC main and local forces, reinforced by militia and guerrillas, have the initiative and, with large attacks (some in regimental strength), are hurting ARVN forces badly. The main VC efforts have been in southern I Corps, northern and central II Corps and north of Saigon. The central highlands could well be lost to the National Liberation Front during this monsoon season. Since June 1, the GVN has been forced to abandon six district capitals; only one has been retaken. U.S. combat troops deployments and US/VNAF strikes against the North have put to rest most South Vietnamese fears that the United States will forsake them, and US/VNAF air strikes in-country have probably shaken VC morale somewhat. Yet the government is able to provide security to fewer and fewer people in less and less territory as terrorism increases. Cities and towns are being isolated as fewer and fewer roads and railroads are usable and power and communications lines are cut.

The economy is deteriorating -- the war is disrupting rubber production, rice distribution, Dalat vegetable production and the coastal fishing industry, causing the loss of jobs and income, displacement of people and frequent breakdown or suspension of vital means of transportation and communication; foreign exchange earnings have fallen; and severe inflation is threatened. 11/

In Saigon Ambassador Taylor gave the GVN the first definite sign of U.S. concern about the effects of U.S. deployments on Saigon port operations and on the Vietnamese economy. In a letter to Prime Minister Ky dated July 1, 1965, he said:

Your experts and ours are in constant contact on the budgetary deficit and have always worked effectively together... They will need your support in carrying out the anti-inflation measures which they may recommend from

TOP SECRET - Sensitive

time to time...The rice procurement and distribution agency which you have in mind is an important measure of...a program which should also include the further development of port capacities.

USOM also began talking about devaluing the piaster. 12/ These matters were to come to a head a year later. At this time, however, the Embassy treated these matters routinely and applied no pressure to GVN. GVN officials opened the serious bidding in their meeting with Secretary McNamara on July 16, saying that their gold and foreign exchange reserves had suffered the alarming drop from \$175 million to \$100 million since January, 1964, and requested a big increase in AID. 13/ Ambassador Taylor preferred to limit our counter-demands to get quick agreement; he said,

We would avoid giving the impression of asking for new agreements or imposing conditions for our increase AID... We do not want to raise conditions in terms likely to be rejected or to require prolonged debate. 14/

On July 28, the Embassy and GVN settled it. The agreement touched very lightly on GVN obligations and on joint economic planning. It provided for "joint discussions to precede policy decisions...for control of inflation," etc. 15/

On July 8, MACV reviewed its relationships with the military leadership. There was no problem; they agreed that operations involving both U.S. and ARVN troops would use the concepts of coordination and cooperation. They did not discuss combined command. 16/ However, a flap developed late in July when General Thi was reported to be planning operations in the DMZ. Both Taylor and Westmoreland took it up with GVN, who reassured them; Thi got back on his leash before it was too late. Such operations commenced more than a year later. 17/ A candid subsequent statement from Saigon shows the Vietnamese desired to have the best of both worlds. Ambassador Lodge reported to Washington the disparaging reactions of ARVN general officers on the JGS staff to the U.S. Marine victory south of Chu Lai. "I flag this small straw in the wind as pointing up the importance of portraying our operations here as combined with the GVN in nature." 18/

3. Quiet Sailing Through January, 1966

In August, Ky wanted to make a trip to Taiwan, being interested in getting Nationalist Chinese troops into Vietnam. The U.S. Government objected both to the trip and to its objective, but failed to persuade him to give up the trip. Later he brought in some Chinats on the sly. An idea floated in Washington that he or Thieu should visit the United States was dropped without having been brought up with the GVN. 19/

TOP SECRET - Sensitive

Lodge arrived around the middle of August to replace Taylor. Having avoided the confrontations with GVN of the type that Taylor had, he came with a residue of good will. Because he was considered responsible for Diem's overthrow, the Buddhists were pleased, and the militant Catholics dubious. In that connection, State thought it prudent to direct the Embassy to assure GVN that neither Lodge nor Lansdale, whom he was bringing with him, was going to try to make changes in GVN. 20/ On August 26, Ky told Lodge that he thought U.S. forces should "hold strategic points" so that the Vietnamese could concentrate on pacification operations. That is, he wanted the United States to take over the main force war. He also said he thought the Chu Hoi program was a waste of money. 21/

In early August, Ky established a Ministry of Rural Construction (MRC) and a Central Rural Construction Council (CRCC). These absorbed functions and personnel from predecessor groups and other ministries for the announced purpose of providing centralized direction to the pacification effort. Nguyen Tat Ung was made Minister of Rural Construction while the Council was chaired by General Co, Minister of War and Defense. Timing and circumstances give no evidence of a strong U.S. hand at work. The U.S. Embassy viewed the new organization as the result of political maneuvering, but also hoped the change would promote inter-ministerial cooperation. The move signalled renewed emphasis of pacification by both GVN and the mission. In late August, Ambassador Lodge announced the appointment of retired General Lansdale as chairman of the U.S. Mission liaison group to the GVN CRCC.

There followed a period of shuffling and reorganization during which Ung was killed in a plane crash. Two weeks later Prime Minister Ky announced that General Thang would succeed to the Ministry. The appointment was for six months only, and Thang retained his position on the JCS. At the same time, General Co was elevated to Deputy Prime Minister for War and Reconstruction in a realignment that made six ministries including Rural Reconstruction subordinate to him. 22/

On August 28, General Thi told Lodge he thought he could do a better job running the government than Ky was doing. He spoke at some length on Ky's political weaknesses, with particular emphasis on his lack of support in I Corps, where Thi was strong. As was his usual practice, Lodge politely brushed aside this approach. (Later Thi proved harder and harder to control until his dismissal in March.) 23/

In mid-September, Lodge went on an inspection trip to Da Nang and Qui Nhon. On his return he waxed eloquent about the benefits of the U.S. presence:

All reports indicated that the American troops are having a very beneficial effect on VN troops, giving them greater confidence and courage. I am always mindful of the possibility that the American presence will induce the VN to slump back and "Let George do it." But here seems to be no sign of this.

TOP SECRET - Sensitive

I wish I could describe the feeling of hope which this great American presence on the ground is bringing. There can no longer be the slightest doubt that persistence will bring success, that the aggression will be warded off and that for the first time since the end of WW II, the cause of free men will be on an upward spiral. 24/

Lodge's end-of-month appraisal was that civil and political progress lagged behind the military. He felt there would be a political vacuum that the VC would fill if the U.S. pulled out. Therefore, he was trying to start a program to provide security and to generate indigenous political activity at the hamlet level. He noted with pleasure that Ky was taking the initiative in bringing his pacification plans to Lansdale, to get U.S. reactions before these plans were too firm to change. 25/

By September, a combination of inflation, black-marketeering by U.S. troops and other related problems led both governments to agree on important steps. The U.S. introduced military payment certificates, and the GVN agreed to exchange 118 piasters to the dollar for personal use of troops and U.S. civilians. Official U.S. purchases of piasters continued at the old exchange rate of 35, however. 26/

September brought an evaluation of the three-month three-province pacification experiment during which each was under the unified control of a team chief; one an embassy FSO, one a MACV sector adviser, and one an AID province representative. COMUSMACV judged that test only partially successful; progress achieved was attributed to the "keen spirit of cooperation" by all team members. Because he believed the results inconclusive and in view of the existing military situation, General Westmoreland concluded that the team chief concept should not be implemented. The experiment was officially ended.

The U.S. also became deeply involved in the rice trade. Vietnam changed over from a rice exporter in the years through 1964 to a heavy importer from 1965 onwards. AID provided the imported rice under CIP. In September, 1964, Ambassador Lodge spoke of measures we are taking to control the price of rice; inasmuch as AID provided the imports, USOM had a say in the GVN's policies on price control, subsidization, and distribution of rice. 27/

During this period a problem flared up over a corrupt Province Chief. Lt. Colonel Chi, Province Chief of Binh Tuy, was accused of misuse of \$250,000 of AID funds. After pressure from AID had merely produced threats against the lives of AID personnel in the province, on September 23 AID withdrew them and suspended AID to the province. Chi was a protege of General Co, the Minister of Defense and Deputy Premier, who himself figured in charges of corruption a year later. On October 5, the story got into

TOP SECRET - Sensitive

the papers, and on the 7th Ky promised publicly to remove Chi. Lodge played no role in starting this episode, and told the Mission Council on October 7 that he did not want it repeated. After a six-weeks delay, Ky did remove Chi on November 25, and gave him a job in the Ministry of Defense. AID to the province resumed. 28/

Advisers in the field kept on complaining about the delays in the Vietnamese system, and pressed for restoration of some resources of their own. On October 1, 1965, MACV began giving its sector and sub-sector advisers piaster funds they could spend on urgent projects. Each subsector adviser had access to 50,000 piasters which could be replenished as necessary. Toward the end of 1965 it became obvious that this method was highly successful. Consideration was given to permanent establishment of the revolving fund. 29/

However, after the trial period of about four months MACV abandoned the plan because of strong opposition by General Thang, Minister of Revolutionary Development. He argued that under U.S. urging he had been developing an effective, flexible organization that would take care of urgent projects of the type the sector and subsector advisers wanted to promote; letting them bypass his people would encourage the latter to lapse into their old bad habits and thwart both governments' main objectives. 30/

USOM also had second thoughts about abandoning the sign-off system. Early in October 1965, the Mission Council approved a plan to restore the "troika sign-off" procedure as it had existed prior to June. After the Mission had already reopened the issue with the GVN, 31/ the State Department objected, saying that the United States wanted to make the Vietnamese more independent and effective.

After a time the frustrations of the advisers began striking a sympathetic chord at the highest levels. In a draft memorandum to the President dated November 3, 1965, Secretary McNamara stated his own impatience with the GVN and urged a more active role for our advisers at province and district. There is no sign of such high-level interest earlier, except as expressed by decisions to extend the advisory system to lower levels; as just noted State objected to the restoration of troika sign-off on October 16, 1965.

Some uncertainty and disagreement with respect to pacification developed within United States groups in Vietnam. In November, Major General Lansdale, Special Assistant to the Ambassador, asked who on the U.S. side should have the executive role in dealing with the Rural Construction Ministry? Lansdale envisaged that MACV and JUSPAO would be observers only.

COMUSMACV disagreed with the proposed limitation. USMACV was the only structure advising GVN at all levels; so MACV shared responsibility for pacification. Manpower required for cadre teams would impact directly

TOP SECRET - Sensitive

and seriously on MACV efforts to maintain RVNAF strengths. Minister of Rural Construction was Major General Thang who also was Director of Operations, JGS. He looked to MACV for advice and assistance on the whole spectrum of pacification problems.

On December 15 in a memorandum to Major General Lansdale, the Ambassador said,

I consider the GVN effort in this domain (apart from the military clearing phase) to be primarily civilian... Consequently, on the American side it is preferable that the two civilian agencies, USAID and CAS, be the operating support agencies. 32/

The GVN military plan in support of the 1966 Rural Construction plan was given in the JGS Directive AB 140 of December 15, 1965, which had been developed in coordination with MACV and the Ministry of Rural Construction. In November onward, portions of the 1966 GVN defense budget prepared in accordance with U.S. guidelines were received by MACV. 33/

At the time of the Christmas truce, President Johnson launched a peace offensive, including a suspension of bombing in North Vietnam that lasted 37 days. The moves were carefully cleared with GVN and with its Ambassador in Washington, and caused no significant problems. Lodge's appraisal was that the "offensive" achieved all its aims, at no significant cost. However, trouble flared up over a plan to release 20 NVA prisoners across the DMZ; General Thi was not consulted, and said he would not permit it (in his Corps). Things were smoothed over amicably by Tet. 34/

One troublesome area was GVN's hawkishness over such issues as border incidents. Ky kept pressing for action against Cambodian sanctuaries; the U.S. stood firm on the rule of self-defense in emergencies only, which could mean shooting across the border but not maneuvering troops across it. Ky wanted to encourage a Khmer Serai expedition, which would cause a flare-up with the Cambodian Government; State directed Lodge to keep him on a tight leash. 35/

Coup rumors started to circulate around the first of the year; Lodge remarked that just before Tet was a normal season for that. On December 29 Ky told Lodge of an alleged assassination plot directed at Ky, Co, the Buddhist leader Thich Tam Chau, and Lodge. On January 15, VNAF took to the air in nervous reaction to some supposedly suspicious troop movements; Lodge reported more rumors on January 19, and took the opportunity to spell out his position:

If...corridor coup...caused directorate members to fall out, consequences could be disastrous...A peaceful reshuffle within directorate is a continuing possibility. I would deplore it. We take all rumors and reports of government change very seriously and never miss an opportunity to make clear U.S. support for, and the need for, governmental stability. 36/

TOP SECRET - Sensitive

Around the middle of January 1966, Ky addressed the Armed Forces Convention. He announced the prospective formation, after Tet, of a "Democracy Building Council" to serve as a constituent assembly and legislature. It would write a new constitution by October, 1966, preparatory to elections in 1967. This was the opening shot in what became a big issue within a few weeks. 37/

4. The Honolulu Conference of February 6-8, 1966

By late January, it was clear that Lodge's policy of not pushing GVN too hard may have helped keep things amicable but permitted pacification to keep lagging and permitted economic problems to grow serious. With conspicuous haste that caused GVN some loss of face, the U.S. summoned Thieu, Ky, and other GVN officials to Honolulu to express renewed and heightened U.S. concern. The U.S. wanted to re-emphasize pacification, with a corresponding shift of authority from the ARVN line command to the province chiefs; and it wanted strong action to limit inflation, to clear the Saigon Port, and to limit the unfavorable effect of U.S. deployments on the U.S. balance of payments. 38/

For the first time in over a year, the U.S. bargained hard with GVN on issues of these kinds. The GVN agreed to the main U.S. demands on authority for the provinces chiefs. Moreover, it promised fiscal reform, devaluation, port and customs reform, and the use of GVN dollar balances to finance additional imports. The GVN also agreed that an International Monetary Fund team should be invited to give technical advice on these economic programs. Thieu and Ky promised to go ahead with a new constitution, to be drafted by an appointed Advisory Council, and then ratified by popular vote in late 1966; following that, they promised, the GVN would create an elected government rooted in the constitution. The U.S. promised to increase AID imports to \$400 million in 1966, plus \$150 million in project assistance.

Altogether the two governments exchanged over 60 agreed points and assurances, ranging over free world (third country) assistance, rural construction (pacification), refugees, political development, Montagnards, Chieu Hoi, health, education, agriculture, and economic and financial programs. This package was far more specific than any previous US/GVN agreement. Their public statements after the conference emphasized social justice, the promise of elected government, and the U.S. lack of interest in bases or permanent alliance in South Vietnam.

In a public appearance at the conference, President Johnson embraced Prime Minister Ky, before photographers. Although it caused no loss of face directly, in the eyes of many observers this act added to the impression that Ky was tied to our apron strings. If Lodge sensed this effect, he said nothing about it; characteristically, he said to State that the Honolulu Conference was good psychologically for Vietnam.

IV C 9 B

TOP SECRET - Sensitive

Directly after the conference USOM remained seriously concerned about the high and rising black market piaster rate for dollars, which they and the Vietnamese business community regarded as the bellweather of inflation. Moreover, besides its harmful psychological effect, the high rate tempted U.S. personnel into illegal transactions, causing unfavorable publicity. [Inasmuch as GVN refused to sell dollars in the black market to push the rate down, Porter requested authorization from Washington to do it on the sly with CAS money. 39/7 *included in G, omitted in 11*

The thrust of the Honolulu Conference was clearly to stimulate non-military pacification efforts. Upon his return to Saigon, Lodge issued a memorandum reconstituting the Mission Liaison Group under Deputy Ambassador Porter. Though charged by the memorandum with the management and control of all U.S. civilian agency activities supporting Revolutionary Development, Porter saw his responsibility as primarily a coordinating effort. He said he did not intend to get into individual agency activities. 40/

TOP SECRET - Sensitive

Chapter II - A Rebellion, A Constituent Assembly, and the
Hardships of Negotiating With a "Weak" Government

1. The Rise of the Struggle Movement, March 1966

General Thi, Commander of I Corps, was a thorn in Ky's side as a potential rival. Both private and public disagreements showed there was no love lost between them; and Thi had a considerable base of support in his connections with the Buddhist leadership and in his identification with Annamese sensitivities. These factors also made the other generals of the Military Directorate (formerly National Leadership Council, etc.) suspicious of Thi; they felt better able to cope with Ky. 1/

Armed with President Johnson's public support of him, Ky resolved to exile Thi, and he persuaded his colleagues to go along with the idea in a meeting on March 10. The day before he told Lodge of his intention, saying that Thi had been culpably insubordinate; Lodge replied that he should be sure he could prove the charges, so as to put a good public face on the move, and pave the way carefully. Later in the day Lodge also advised him to make sure he had the votes in the Directorate, saying that for him to lose on the issue and be replaced as Prime Minister would be catastrophic. Ky was sure of himself, although he admitted he could not prove his charges. In a later meeting the same day, Thieu told Lodge Thi "had conducted himself in a way that was not suitable," and was confident Thi could be dismissed without ill effects. 2/

On March 10, when the Directorate voted to fire him, Thi resigned. Ky told Lodge that Thi would go to Da Nang the 11th for the change-of-command ceremony and then leave the country for four months. The same day, Thi told Colonel Sam Wilson that he did not want to leave the country, and that he had been encouraged by the Director of National Police to stay; Wilson suggested that he go gracefully. On the 11th, when the time came for Thi to fly to Da Nang, he was detained at Tan Son Nhut; Ky had got wind of, or suspected, his intentions. Ky then urgently requested Lodge to invite Thi to the United States for a physical examination. 3/

The Annamese Buddhists, led by Tri Quang, who had quietly bided their time for about a year, now entered the action. (Ky later told Lodge that Tri Quang had assented to Thi's dismissal and had then double-crossed him.) They began demonstrations in Da Nang and Hue on March 12, joined by the students, and over the next several days gained control of those cities as the police stood aside. Again Ky used Lodge's good offices to try to persuade Thi to leave the country gracefully; but the 16th, Ky and the Directorate decided to try to use Thi to restore order, and permitted him to return to Da Nang. For a few days things quieted down slightly, but the end was not yet in sight. 4/

State offered Lodge suggestions on how to get things calmed down. First, he might counsel a firm attitude by GVN, saying it would meet with

TOP SECRET - Sensitive

the Buddhists but not under threats, and that it would not permit disorders. Second, GVN might steal the initiative from the Buddhists by making a generous public offer of elections. Whichever course they followed, State wanted them to be sure it would work and would avoid a head-on collision with the Buddhists. In reply, Lodge agreed on the need to avoid a head-on collision; as for the means, he, like State, simply hoped for the best:

We should not settle on one solution or another. Rather it is possible, if not probable, that, unless uncontrollable mass reaction is brought about, each side will seek to arrange what can be looked upon as widely acceptable. 5/

On March 22, Lodge and Ky had a long discussion of tactics relating to elections and constitution-writing. Elections were scheduled to come up for the largely powerless but symbolic provincial councils (which advised the Province Chiefs on policy matters), and Ky had reportedly toyed with calling off these elections. He was also far behind schedule on the constituent assembly he had publicly promised on January 19 for just after Tet, and as noted had privately promised the U.S. Government at Honolulu. 6/ Lodge reported:

2. ...He is eager for advice and when he received it, he said he agreed with it. Now it remains to be seen whether it will be carried out.

3. My advice was based on careful reflection and consultation with my associates and was to this effect:

4. The GVN should not cancel provincial elections as I had heard reported. He said that this was not exactly the case; that there were two provincial councils, which didn't want elections. I said in that event these councils should be made to say publicly that they didn't want elections so that the onus of not holding these elections would not fall on the Government. A public announcement had been made that the Government was in favor of holding these provincial elections; the offices involved have little actual consequence but are of symbolic significance; Washington had been informed of this fact; and if there was some reason why in one or two provinces they should not be held, then the provinces should make the reason plain.

5. I then advised that he should take the lead and influence opinion, and not be at the mercy of events. I suggested that a list of names for so-called consultative assembly (which I suggested would be better named "preparatory commission") which aims to draft a constitution, should be confirmed by the Generals. When this had been done, I suggested that then Ky

TOP SECRET - Sensitive

should make a very carefully written and persuasive announcement which would be done on film for use on television and in the movie theaters. The Vietnamese are great movie-goers and it is a very important medium here. I said that he should not read it on film with his head bobbing up and down as he looked down at the text, but should have it put on cue card along side the camera and read it as he looks right into the lens.

6. His statement should be written in such a way as not to exclude the possibility of elections later on for a constitutional convention. In other words, this should be deliberately fuzzed and left open by implication. I said I much preferred the phrase "constitutional convention" to the pernicious French phrase "constituent assembly." The constitutional convention would meet, adopt the constitution and disband, whereas the constituent assembly stays around and makes trouble for an indefinite period.

7. He agreed with all this and seemed to understand it. He said that last night, the Generals had unanimously confirmed the names of the members of the preparatory committee. He would announce all this as I suggested. I wish he would do it quickly.

8. I suggested that impulsive unprepared statements were most dangerous at this time. Experienced politicians often make statements which seem to be "off the cuff," but actually are carefully thought out. His unprepared statements always worry me.

9. He agreed with me that certain Buddhists were unwittingly taking Communist inspired advice, as were the students in Hue who had attacked me...

10. He was absolutely sure that the Buddhists were divided among themselves -- an analysis which I share. He agrees with me that Tri Quang simply has not got the powerful psychological factors working for him now that he had in October '63. All the Communist Propaganda in the world cannot alter these facts: That in '63, the Buddhists were discriminated against, and now they are not; that in the latter days of '63 the Buddhists were persecuted whereas now they are not; and that Tri Quang was an underdog then, and now he is not. Yet Tri Quang is evidently determined.

11. My advice to him was not very drastic and quite simple to do, and yet I believe that if he follows it conscientiously and expeditiously without procrastination that there may be enough of a budding sense of National interest to start moving things along in the right direction.

TOP SECRET - Sensitive

12. He thanked me more effusively and warmly than he has ever done before and said he was so grateful for my interest in his welfare, physical and political.

13. The situation is not yet out of hand. Ky has had offers from Catholics and Southerners for them to enter the fray on his side and start throwing their weight around, which he so far has been able to prevent them from doing. This is one of the things which I have been fearing. I talked in this vein with the Papal delegate and the Archbishop of Saigon yesterday, and they agreed completely. The leadership of the Southerners is not, I fear, as responsible. 7/

On March 25, Ky followed Lodge's advice more or less closely, and announced the Constitutional Preparatory Commission and said it would finish its work within two months; elections might follow by the end of 1966. However, he insisted that GVN would exclude "Vietcong or corrupt elements" from the elected assembly. The move failed to restore order. On March 26, demonstrators in Hue broke out anti-American banners written in English, and an ugly incident followed in which a Marine tore one down. (After detailed negotiations, an apology was given and accepted.) The radio stations at Da Nang and Hue fell under control of dissident elements.

On March 29, Ky told Lodge that he and the generals wanted to move on Hue and Da Nang with military forces, and said that he could show that an unpublicized Buddhist split had caused the uprising. Lodge concurred in Ky's plan to use forces, but urged him not to try to create an open breach among the Buddhists. 8/

Although Lodge had no objection to using force against the Buddhist movement, both he and Rusk felt that U.S. men and equipment should stay out of it, to avoid heightening anti-American feelings. Rusk told Lodge of his deep concern about Vietnamese internal bickering at a crucial time; he was particularly disturbed by the anti-American propaganda coming from the Hue radio, which was physically defended by the U.S. Marines in that general area. He went on to say,

We face the fact that we ourselves cannot succeed except in support of the South Vietnamese. Unless they are able to mobilize reasonable solidarity, prospects are grim. I appreciate your frank and realistic reporting and am relying heavily upon your good judgment to exert every effort to get us over the present malaise. 9/

Lodge replied that his influence with the Catholics had kept them out of it, but that his talks with Tri Quang had been unproductive. He estimated that Tri Quang had used the anti-American theme to put

TOP SECRET - Sensitive

pressure on the GVN. 10/ (Through an intermediary the Embassy learned that General Thi said that the United States was too committed to leave; this belief may have led Thi and the Buddhists to feel free to use the theme as a weapon against GVN.)

On March 29, the Catholic leaders in whom Lodge had placed his hopes came out against the GVN and demanded a return to civilian rule. 11/

2. Ky's First Attempt to Suppress the Struggle Movement, April 1966

Events now happened in rapid succession. Assured of Lodge's sympathy, on April 3 Ky declared that Da Nang was in the hands of Communists. On April 5, despite mild questioning from State, MACV airlifted two battalions of Vietnamese Rangers to Da Nang under personal command of Ky, and they started to seize the city. That same day the 1st ARVN Division Commander declared for the Struggle Movement, with his officers backing him, and U.S. advisers were withdrawn from the Division. On April 6, "non-essential" U.S. civilians withdrew from Hue. On April 8, the GVN flew two more Ranger battalions to Da Nang, using its own airlift after MACV refused to provide any. On April 9, U.S. representatives protested to Struggle Movement leaders about Howitzers under their control positioned within range of the Da Nang airbase; the leaders agreed to pull them back. Two hundred U.S. and third country civilians evacuated Da Nang. 12/

Washington played little role in all this. From time to time it offered mild advice, but Lodge had a free hand. It was his decision to withhold any further U.S. airlift on April 8, although after he acted State agreed by urging him to push GVN toward a political rather than a military solution:

Accordingly we believe you should not repeat not urge immediate Da Nang operations at present, but rather that entire focus of your efforts at all levels should be to get political process started.

(It was at this time that Lodge wrote his long cable, discussed in the next section below, saying that the U.S. does not have enough influence in Vietnam, and that it should set up a leverage system that bypasses Saigon and works at the Province level.) Lodge accepted the fact of Buddhist power, and wanted to avoid bloodshed, but as always his sympathies were squarely with the military leadership:

The political crisis which has been gripping VN is now almost one month old. The situation has deteriorated steadily as the Buddhist opposition has increased pressure on the GVN.

Buddhist demands, when stripped of hypocrisy [and,]... boil down to a naked grab for power.

TOP SECRET - Sensitive

Throughout this period we have sought certain fundamental objectives:

- A. To preserve the VN nation, and thus, the present government.
- B. To provide for an orderly political evolution from military to civil government.
- C. To preserve the Armed Forces as an effective shield against VC.
- D. To guard and expand all our political, economic, social and military gains, notably those which flowed from the Honolulu declaration.
- E. To maintain the effectiveness of the Free World forces in VN. 13/

On April 12, GVN found a face-saving formula and withdrew its Ranger battalions from Da Nang to Saigon, and the streets became relatively quiet. On the 14th, the Directorate gave way to the demands for elected civilian government by promising elections for a Constituent Assembly within three to five months. For the time being the Buddhists and other political groups, while making additional demands, called off the demonstrations on condition that Ky honor his promises. 14/

On April 23, Lodge reviewed for State all the leverage available that might be used to help bring the I Corps area under government authority, and rejected using any of it.

We have considered possibility of using U.S. control over economic and military commodities in I Corps to foster re-establishment of government authority in the areas.

The bulk of USAID-controlled commodities are scheduled for use in rural areas. Comparatively little anti-government activity is carried on by the rural population...

The Hue-Da Nang area currently is relatively well stocked with basic commodities. There is an estimated four month supply of rice on hand and the countryside is now starting the harvesting of a rice crop...

The U.S. currently controls, through the USAID, the following: (A) Warehouses in the part of Da Nang containing quantities of construction material and PL-480 foodstuffs ... (B) Three deep draft vessels and one coastal vessel now

TOP SECRET - Sensitive

in the DaNang harbor with CIP cement, rice, fertilizer, and miscellaneous commercial cargo... (C) Nine chartered coastal vessels...operated for USAID...

With respect to military commodities, RVNAF maintains a 30-60 day supply of expendable combat items while their rice stocks are maintained at a 30-day level. However, under rationing these rice stocks can be extended to 60 days. The RVNAF items which are in short supply throughout Vietnam, as well as in the Hue-DaNang area, include vehicle batteries, brake shoes, and POL. We consider it unwise to interfere with the flow of supplies to RVNAF at this time since it would limit effectiveness of operations against Viet Cong forces...

Indeed any U.S. effort to withhold resources which it controls in this area may stimulate excesses by the struggle movement even though an attempt is made to conceal the U.S. role in the imposition of sanctions. 15/

3. Violence Explodes in May, 1966

After promising the elections by August 15, against Lodge's public disagreement, Ky said in a public statement on May 4 that "we will try to hold elections by October." In Lodge's absence, on a long trip to Washington, Porter protested privately to Ky that once he had made a public commitment on election timing he was risking further disorders to appear to shirk it. Nevertheless, Ky added to the flames by a further public statement that he expected to remain in office for another year. New disorders broke out, and DaNang and Hue again fell under overt control of the Struggle Movement. Without consulting the Embassy, the Directorate laid plans for several days and then on May 15 airlifted troops to DaNang and then to Hue. 16/

State first reaction showed unrestrained fury, and sanctioned "rough talk" to stop the fighting:

This may require rough talk but U.S. cannot accept this insane bickering...do your best in next few hours. Intolerable that Ky should...move...against DaNang without consultation with us. Urgent now to insist that fighting stop. 17/

State did not, at first, sanction the threat of force; for example, it said Gen. Walt should continue to harbor the dissident General Dinh in III MAF Headquarters, and that Walt should tell GVN he "can't foresee the U.S. Government reaction" if GVN forces should break into his Headquarters. Its overall guidance was to use persuasion, withdrawal of advisers, and a public posture of non-intervention, with the following specifics:

TOP SECRET - Sensitive

1. Announce that the U.S. was not consulted, gave no help. Ky's use of T39 routine, "not material assistance."
2. Furnish no airlift.
3. Withdraw all advisers from I CTZ, including from loyal GVN units, except for any clearly in position to fight VC. Keep U.S. forces out, except maybe to fight VC.
4. Inasmuch as withdrawal of civilians and military from DaNang in early April had a sobering effect, State authorized withdrawing them again (including combat forces).
5. Exemption to 3: Keep contacts with Thi and 1st Division, and make other like exceptions. (Purpose of withdrawal is to avoid appearance of involvement.)
6. Use contacts to get a compromise that avoids bloodshed.
7. Find out "soonest" the effect on election preparations.
8. Do not throw U.S. weight behind GVN effort. 18/

However, the "rough talk" actually used did reach the point of a clear threat of force. General Walt heard of a possible VNAF attack on dissident ARVN units in their compounds, and threatened to use U.S. jets to shoot down the VNAF aircraft if they did. (The pretext was that U.S. advisers would be threatened if they did, and did not apply to VNAF self-defense against dissident ARVN units closing on DaNang.) If such an attack was planned, the threat succeeded. 19/

Porter followed State's guidance closely; he put it strongly to Ky and Thieu that the failure to consult was unacceptable, withheld airlift from GVN and withdrew advisers from units on both sides, and obtained from Thieu the assurance that the election would be held as promised. He refused to give public backing or opposition to either side, and tried to mediate. State sent several more messages with guidance along the same lines, and directed him to tell both sides of USG's impatience with Vietnamese factionalism:

The American people are becoming fed up with the games they are playing while the Americans are being asked to sustain such major burdens. 20/

On May 17, a U.S. helicopter received small arms fire from a dissident ARVN unit when carrying a GVN officer to parley with them; the helicopter returned the fire, causing several casualties. In a stormy meeting the next day with Corcoran, the U.S. Consul in Hue, Tri Quang

TOP SECRET - Sensitive

accused the U.S. of joining forces with GVN in attacking his people, and threatened violence against U.S. forces and facilities. Corcoran stood firm, saying that U.S. forces would defend themselves. State's guidance the same day, reaffirming the previous guidance, was to limit U.S. assistance to administrative aircraft, and then only when GVN had none available, to reassure Thi and the leaders of the Struggle Movement about U.S. support for free elections, to bring opposite sides (especially Ky and Thi) to face to face discussions, and to intervene as needed to end the squabbling. On May 20, Tri Quang complained to another U.S. official about the administrative aircraft who pointed out to him that the U.S. also provided such aircraft to Thi and other dissident military officers. That same day a dissident leader threatened to attack GVN forces at DaNang, and State directed that he be reminded that the U.S. forces also in DaNang would have to defend themselves. State also authorized the threat of total U.S. withdrawal. 21/

On Lodge's return to Vietnam at this time, he received detailed guidance from State, very similar to that previously given to Porter, for his first meeting with Ky. The guidance re-emphasized the demand for prior consultation by GVN before it made any important move, and directed him to urge GVN to be conciliatory and to use its forces with the utmost restraint:

1. We must have absolute candor from Ky as to his plans, and opportunity to comment before significant actions.
2. Tell him to leave pagodas alone, except for surveillance and encirclement.
3. Keep ARVN out of Saigon demonstrations.
4. Elections vs military role: Sound out.
5. Encourage election progress.
6. Keep GVN in contact with Buddhist leaders.
7. Help Ky meet Thi.
8. Consider further the suggestion of withdrawal from DaNang and Hue.
9. Give us "your judgment as to whether we ought to move forcefully and drastically to assert our power" to end strife.
10. Suggest broadening the Directorate with civilians. 22/

By this time, Ky had begun leaning over backward to consult Porter, and then Lodge, before every move. GVN forces overpowered roadblocks

TOP SECRET - Sensitive

and controlled DaNang, but demonstrators were operating freely from pagodas in Saigon, and the Struggle Movement had absolute control of Hue, where in the next few days they surrounded and blockaded the consulate. In Saigon GVN followed Lodge's advice and neutralized the pagodas by surrounding them without violating them; but in the I Corps. he was preparing to occupy Hue forcefully as he had DaNang. The Buddhists began a series of self-immolations. Amid mounting threats, the U.S. evacuated the consulate and its other facilities in Hue. 23/

Lodge was unreservedly sympathetic to Ky, as in April, and viewed the Buddhists as equivalent to card-carrying Communists; but he followed instructions and pressed Ky to be conciliatory. When Ky would blurt out fire-eating statements and whittle down his previous promises on elections, Lodge would patiently urge him to avoid off-the-cuff statements and to limit himself to prepared statements on radio and TV. Lodge and Westmoreland repeatedly pressed Ky and Thi to get together, which they did on May 27; Ky offered Thi and Dinh unspecified Army jobs. 24/ State was gratified, but cautious. 25/

4. Ky Restores GVN Control in I Corps, June 1966

One of the main subjects of Lodge's conferences in Washington was what the U.S. Government position should be on elections for the Constituent Assembly. Having finished deliberations and drafting after Lodge returned to Saigon, State cabled the principles it thought should guide the Mission's operations on election matters:

A. General Principles of U.S. Action

The U.S. Mission should seek to exert maximum influence toward the achievement of the substantive objectives stated in B. below. At the same time, this must be done with recognition that a key objective is to avoid anti-Americanism becoming a major issue; we shall be accused of interferences in any event, but it is vitally important not to give potential anti-American elements (or the press and outside observers) any clear handle to hit us with.

B. Objectives

1. Elections should be held as announced by GVN on April 15th, that is by September 15 of this year.

2. The issue of anti-Americanism should be kept out of the election campaign as far as possible.

3. The question as to whether the constitutional assembly will only have the role of drafting the constitution or will have some further function should not be allowed to become an active pre-election issue and the U.S. should take no position on this question.

TOP SECRET - Sensitive

4. The elections should be conducted so as to produce a constitutional assembly fairly representing the various regions and groups within South Vietnam (except those actively participating with the Viet Cong), including the Army, Montagnards, Khmer minorities, et. al.

5. The elections should be conducted so as to gain a maximum improvement in the image of the GVN in the United States and internationally; this calls for a wide turnout, scrupulously correct conduct of the voting and counting process, as little political limitation on voter eligibility as possible and vigorous efforts to avoid voter intimidation from any quarter. Ideas to be explored are a brief election period ceasefire, international observation of the elections, students participating as poll watchers. etc.

6. The emphasis in the campaign should be on the selection of good men to draft the constitution; political parties are not expected to play a major role although the campaign may provide the occasion for laying foundations for future party organization.

7. Unless new developments change our assessment, major efforts should be devoted not to stimulating the formation of a large nationalist party but rather to the adoption of the concept that these elections bring together all non-communist groups who are pledged, among other things, to their country's independence and the continuing need to defend it with American help. Specifically, efforts should not be made to split the Buddhists or isolate the militant Buddhist faction.

8. The election process should be a vehicle for educating and engaging the population in the democratic process and it should be used to launch political and psychological initiatives with youth groups, students, labor, etc.

9. Restore as far as possible the unity of the Directorate and promote a reconciliation between Generals Ky and Thi. However, discourage efforts by the Directorate to form a government party designed purely to perpetuate the Directorate in power to the exclusion of other significant political groups. 26/

At the end of May things seemed to settle down. McNamara sounded out the Embassy about a trip in early June, but Lodge talked him out of it on the grounds that it might tempt the Buddhists to start demonstrating again. Ky met Buddhist Institute leaders on May 31 and offered civilian participation in an enlarged Directorate. He reported that the Buddhists accepted this along with reassurances about elections, and agreed with Ky's new appointment of General Lam as Commander of I Corps. Lodge was skeptical:

TOP SECRET - Sensitive

The above is what Ky said and it stood up to questioning. It sounds too good to be true, and we will await next steps. 27/

The next day, June 1, a mob of students burned the consulate and consular residence in Hue. When GVN forces prepared to move on Hue, the Struggle Movement filled the streets with Buddhist altars, serving as roadblocks the GVN forces hesitated to disturb, while dissident ARVN units deployed in the city. 28/

The Directorate's April 14 promise of elections of a Constituent Assembly on August 15 had led to the creation of an Electoral Law Commission, which the Buddhists boycotted as a result of the subsequent disagreements. The Commission presented its proposals on June 5, and they included several features unacceptable to the Directorate, especially those related to the powers and tenure of the Assembly. Ky reacted publicly on June 7, saying that if military-civil unity proceeded smoothly enough over the next few months it would be possible to postpone elections. Demonstrations continued in Saigon, while a combination of negotiations and force gradually brought Hue under GVN control. 29/

On June 15, Ky made it clear that the Assembly would not be permitted to continue and to legislate after drafting a constitution, and that the Military Directorate would continue in power until promulgation of the new constitution and the seating of a subsequently elected Assembly in 1967. (Note that Lodge backed this attitude.) The Buddhist Institute called a general strike in response to the GVN declaration that June 18, the anniversary of the Thieu-Ky government, would be a national holiday. On June 19, the Directorate scheduled the elections for the Constituent Assembly for September 11, 1966. The announcement had a calming effect, and the disorders came under control within a few days. The approved electoral law gave the Directorate ample scope to exclude unwanted candidates, and prevented the Buddhists from putting their symbol, the red lotus, on the ballot. 30/ (Again, note Lodge's concurrence.)

On July 31, Thi went into exile. 31/

5. Revolutionary Development, March - June, 1966

To help implement the increased emphasis given pacification at Honolulu, President Johnson in late March appointed Robert Komer as his Special Assistant for "peaceful reconstruction." The creation of a high level focal point for pacification planning and coordinating had the effect of supplanting the interagency Vietnam Coordinating Committee (created in 1964 and originally headed by William Sullivan.) Though Komer's charter was more limited than that of the VMCC, his direct access to the President conferred particular importance to this position. To his desk came the MACV and Mission reports on the progress of pacification that struck the same gloomy note month after month. 32/ The Status Report

TOP SECRET - Sensitive

of March 30 on the Honolulu agreements said:

1. Assure that Province Chief actually retains op con over necessary military forces to support program in his Province. Status: In Long An Province two regiments of the 25th Division are under Province control. This is encouraging, but tactical situation elsewhere makes it difficult. MACV plans to augment regular forces by 120 companies in 1966-67 (approximately 47 will go to priority areas.) This augmentation if successful will be major step forward.

2. Areas where the program is underway and four priority areas in particular should be placed under superior Province Chiefs who should not be removed while program is underway without serious cause. Status: Since Honolulu, eight Province Chiefs have been replaced. Most fall within category mentioned by General Co at Honolulu when he said GVN was about to make several changes to strengthen their ability to achieve plans. The Mission continues to emphasize at every level the need for continuity, but in most cases it is dangerous for U.S. to go down the line in support of individual Province Chiefs. 33/

The Mission report on the status of "Revolutionary Development" for April said:

RD remains behind schedule with progress slow. As reported in March, lack of effective leadership, military as well as governmental, marginal local security, and late availability RD cadre teams, continue to hamper program accomplishments. 34/

The corresponding report for May said:

Lack of effective low-level leadership and lack of local security continued to have adverse effects on RD program ...progress primarily reflects consolidation of hamlets and population already under a lesser degree of GVN control rather than direct gains from VC control. There was no appreciable expansion in secured area or reduction in VC-controlled population. 35/

An incident in June highlighted the frustrations of U.S. field representatives, and showed that leverage could work, at least on procedural matters. In Kontum, the Province Chief flatly refused to set up any end-use control procedures (filling out requisitions, etc.) for USAID commodities. This refusal could not be accepted, and AID suspended all commodity shipments to the Province. After four days, the Province Chief gave in, and AID resumed shipments. 36/

TOP SECRET - Sensitive

Meanwhile, the GVN was doing nothing about its Honolulu promises in the areas of administration, economic reform, and dollar balances. There were several U.S. Government reactions to these failures and continuing weaknesses. There was a series of studies and proposals for leverage, and there was rising pressure for renewed direct negotiations with GVN.

An example of the studies was the U.S. Army's "Program for the Pacification and Long-Term Development of South Vietnam," (PROVN).

The PROVN study was completed in March 1966 by a Department of the Army staff team and briefed on May 17 at CINCPAC Headquarters during a visit by COMUSMACV to Hawaii. His comments at that time were that most of the recommendations already had been acted on. He emphasized that particular care should be exercised to avoid conditions which would cause RVN officials to be branded as U.S. puppets. 37/

The study results were presented in the MACV conference room on May 21. In response to a JCS request, COMUSMACV commented in detail on May 27. He noted that PROVN recommended two major initiatives: (1) creation of an organization to integrate the total U.S. civil-military effort, and (2) exercise of greatly increased U.S. involvement in GVN activities.

COMUSMACV agreed with the first recommendation but felt it was already being accomplished. COMUSMACV agreed that immediate and substantially increased U.S. involvement in GVN activities, in the form of constructive influence and manipulations was essential to achievement of U.S. objectives in Vietnam. He felt there was great danger that the involvement envisioned would become excessive and boomerang on U.S. interests; U.S. manipulations could become an American takeover justified by U.S. compulsion to get the job done.

COMUSMACV saw the advantages in removing ARVN divisions from positions of command over provinces, and attaching some of their units to provinces, but this action would require a major shift of Vietnamese attitudes. Assignment of ARVN units to provinces in the past had had limited success because of restrictions on employment and command jealousies.

Accordingly MACV recommended that PROVN, reduced primarily to a conceptual document, carrying forward the main thrusts and goals of the study, be presented to the National Security Council for use in developing concepts, policies, and actions to improve effectiveness of the American effort in Vietnam. 38/

Subsequently, JCS inquired about Revolutionary Development effectiveness. They asked why RD objectives could not be more effectively achieved with the program under military execution. COMUSMACV's reply repeated the views of the Ambassador's December memorandum to Lansdale and said the program was primarily civilian.

TOP SECRET - Sensitive

6. Lodge Favors Decentralized Leverage

Embassy officials, meanwhile, continued to press for the restoration of the leverage that was lost with the dropping of the troika sign-off in June, 1965. There is no indication that the issue of sign-off came up at Honolulu, very likely because of disagreement on it between State and Saigon. But in April, Ambassador Lodge went on the record in favor of the sign-off system, and against civil encadrement in the Ministries.

Experience and study have made it apparent that the United States has not the influence which it should have in Viet Nam and also that [we] could be organized so as to be relatively much more immune from some of the worst effects of changes of government in Saigon.

I refer to influence in the provinces, and lower units of government, and not to our influence at the top of the Government in Saigon, which is just about as good as it can be. The GVN in Saigon sometimes disagrees, often agrees, and is rarely able to get much done...

An error was made in giving up our right to withhold funds from USAID projects until we have conducted a successful bargain with the Vietnamese in which they agreed to carry out certain things which we wanted... 39/

There are two ways of not solving this problem of contact: (a) One is for a US agency head with big administrative responsibilities to pop over to the ministry to argue briefly and intensely, American-fashion, with the Minister -- a system which is almost guaranteed not to produce results. (b) Nor do I believe the problem is solved by putting American offices in the Vietnamese Ministries. This was the French practice, and it too does not prevent bureaucratic paralysis...

We should always be on the lookout for Americans who have the sympathy with and the knack of getting along with these people, and we might find some good material among the young men who are in the provinces.

Another idea is to bring about a situation where we are really economic partners of the GVN and not merely the people who pay for the CIP Program without effective participation in the use of the piaster proceeds of that program. At present we have very little say in the disposition of such piaster funds. Somewhere along the line we gave up this very important leverage. In fact, we are now trying to recover joint authority over those funds, but

TOP SECRET - Sensitive

progress is difficult... If we had this joint GVN/US authority, we could get at corruption, provided we also had advisers with the Ministries who were really "persona grata." 40/

In the first week of May, Porter put the sector fund idea to Ky, who rebuffed him. Lodge tried to keep the idea alive, but without success. 41/

7. The Military Advisory Program, March-July 1966

COMUSMACV's concern over declining present for combat strength of ARVN units resulted in a study which showed that as of February 28, only 62% of their authorized strength were mustered for operations. There were two principal reasons: (1) Division and regimental commanders had organized non-TOE units such as strike/recon, recon and security, recruiting teams, and (2) Large numbers of deserters, long-term hospital patients, and KIA had not been removed from rolls. MACV instructed JGS to disband non-TOE units and give increased attention to improving administrative procedures. Senior advisers were told to monitor their counterparts and use their influence to bring present for operations strengths up to at least 450 men (75%) per battalion.

At the same time, MACV had a study made to determine the need for reconnaissance units. When field advisers were asked, all replies were favorable; so JGS was asked to develop the organization for a regimental reconnaissance company. 42/

Training was another problem. One adviser stated, "It is more accurate to describe the training program as non-existent instead of unsatisfactory." Another said, "It appears that the battalion commander desires the deterioration of the training status of the battalion so that higher authority will place the unit in a training center to be retrained." COMUSMACV wrote to the Chief JGS in March on the subject of training, but training progress did not change appreciably through 1966 from the level recorded during the first four months. 43/

There was a question of what to do about units which advisers rated ineffective. The combat effectiveness of the 5th and 25th ARVN Divisions was the subject of a staff study completed April 19. Five courses of action were considered:

- (1) Deactivate division headquarters and place subordinate units under province chiefs.
- (2) Exchange the divisions with two other divisions from different CTZ's.
- (3) Relieve the key leaders at all levels who were marginal or unsatisfactory.

TOP SECRET - Sensitive

- (4) Relieve the divisions of their primary responsibility of fighting VC and leave them to pacification.
- (5) By expression of COMUSMACV's concern, encourage intensification of adviser efforts to solve the divisions' underlying problems. If there were no improvement, withdraw all advisers. If there were still no improvement, withdraw all MAP support.

COMUSMACV vetoed the last proposal and had it removed from the study. His guidance was to avoid sanctions against GVN, to intensify the effort to associate and integrate the 5th and 25th ARVN Divisions with the 1st and 25th U.S. Division, and to consider the possibility of greater U.S. participation in pacification in Hau Nghia and Binh Duong provinces. 44/

In April, a study based on exhaustive analysis of field adviser reports and interviews was presented to RVNAF. It concerned itself with several major problem areas: Leadership, discipline, and personnel management. RVNAF reacted positively and quickly to the recommendations by establishing a committee to develop a leadership program. 45/

In response to COMUSMACV guidance in May, J-5 studied courses of action to produce more dynamic progress in the counterinsurgency effort in RVN. It recommended establishing a Deputy COMUSMACV for RVNAF matters as a way to influence RVNAF more. General Westmoreland said in his endorsement that this step had already been taken with the appointment of Brigadier General Freund as Deputy Assistant to COMUSMACV. At the same time, he directed J-5 to review Brigadier General Freund's Terms of Reference and recommend changes or extensions. The completed J-5 study was forwarded to Chief of Staff Army on July 23, recommending that the Special Assistant to COMUSMACV not be given responsibility for any portion of the U.S. Advisory effort. 46/

Low personnel strength was another critical factor in ARVN effectiveness. Only one of 22 battalions rated combat ineffective or marginally effective in July did not report a shortage of personnel. COMUSMACV advised Chief JGS to form an inspection team at general officer level to inspect the strength situation of ARVN division. The Inspector General, JGS, headed the team and was assisted by COMUSMACV's personal representative. The team began its inspection with the 25th Division. 47/

8. Economic Policy and the Port of Saigon, April-June 1966

As noted, this period saw rising pressure for renewed direct negotiations with GVN. When the first phase of the Struggle Movement ended in mid-April, Washington was thoroughly dissatisfied with accumulated delays on the economic program agreed at Honolulu. The USG had gone ahead and delivered on its side of the bargain, but GVN had done nothing. State proposed the threat of sanctions; without apparently going that far, Lodge

TOP SECRET - Sensitive

persuaded GVN to cooperate fully with the IMF team, then on its way, to work out an anti-inflationary and balance-of-payments program. 48/

The IMF team worked through late May and at the end of the month agreed with GVN on a program with the following main points:

- (1) The exchange rate for imports, including tariff, would be increased from 60 to 118 piasters to the dollar except for rice, which would be brought in at 80. Purchases of piasters by U.S. troops and civilians, and other "invisibles," would have the 118 rate in both directions.
- (2) A new tax on beverages would raise about 1.5 billion piasters in revenue.
- (3) The GVN would sell gold to jewelers to push the price down closer into line with black market dollar exchange rate.
- (4) The GVN would raise wages and salaries of its employees by 20% immediately, with a further 10% to follow in six months if necessary.

The GVN asked the USG for assurance on the following points:

- (1) The GVN/IMF plan would substitute for the fiscal and customs reforms promised at Honolulu.
- (2) The USG would liberalize the Commodity Imports Program to cover all importers' requests.
- (3) The USG would buy all its piasters for official programs at the exchange rate of 80 (versus the previous 35).
- (4) All appropriated Commodity Import Funds not used up would be applied to economic development projects in Vietnam. 49/

The USG raised no problem about points (1) and (3) of the GVN requests, but for obvious reasons could give only vague and non-committal assurances on the amount of AID that Congress would authorize and reprogram. However, it made other concessions to increase total economic aid. 50/ The two governments reached prompt agreement on these points, and the piaster was devalued as proposed on June 18, along with the associated fiscal reforms. The GVN's promise to hold down its dollar holdings (given at Honolulu) remained "binding," although the generous AID package of the previous July was now raising GVN's dollar balances at a rate of about \$100 million per year. 51/

These decisions overrode a proposal from OSD (Systems Analysis) to get tough with GVN and to get deeper and more enforceable reforms. The DASD (Economics) predicted that the GVN would fail to carry out any

TOP SECRET - Sensitive

reforms other than changing the exchange rate, and proposed to force the GVN to maximize its legal revenues from CIP by threatening to curtail the program. Without reform of the licensing, high market prices for CIP commodities yielded extortionate profits to those merchants who could get licenses, with a presumption of kickbacks to the licensing agencies. The proposed reform was to auction the licenses in the presence of US observers. He also proposed direct US purchases of piasters, in a "grey" market. 52/

Upon settling the devaluation package, the Embassy immediately pressed for drastic changes in Saigon port management; the pile-up of civilian cargoes had grown so much as to add to the already serious congestion. Lodge proposed a complete MACV takeover of the port and warehouses with a Vietnamese general to be appointed as figurehead port director. 53/ However, the Mission backed away from the idea of complete takeover for the time being, and settled for MACV handling of AID direct assistance commodities, not including CIP. 54/

The agreement reached with GVN at the end of June said:

The United States Military Agency appointed by COMUSMACV
...shall forthwith assume responsibility and all necessary
authority for...

- A. The receipt and discharge of all AID-financed commodities consigned to CPA.
- B. The obtaining of customs clearances and all other clearances...for such commodities.
- C. The storage and warehousing of such commodities in transit as necessary.
- D. The transport of such commodities to such first destinations, including GVN holding areas and/or CPA/ministerial depots as may be designated by USAID/CPA. 55/

9. Political Affairs in the Third Quarter, 1966

This period was comparatively quiet, and transactions between the two governments were routine. Late in June, Ky had brought up with Lodge the idea of a cabinet reshuffle, and Lodge had advised him to go slow. In July, Ky agreed to put it off. In August Ky volunteered to do something about the most corrupt generals in the Directorate, especially Co and Quang. Again, Lodge, who had frankly given up on corruption in the highest places, cautioned him to go slow, and Ky decided to put off any action until after the September elections. Lodge's advice, with State concurrence, concentrated on making sure Ky had definitive evidence of the alleged corruption; Lodge was sure that following this advice would delay things sufficiently. 56/ Late in August, Ky received an invitation to

TOP SECRET - Sensitive

talk to a press group in Los Angeles, and Ky tentatively accepted. Both Lodge and State panicked, especially when the group started to set up a debate between Ky and Senator Fulbright; and in the upshot they talked Ky out of going. 57/

GVN launched its transition to legitimate government on September 11, electing the long-promised Constituent Assembly. Although GVN systematically excluded from the elections all persons connected with the Struggle Movement, and although the Buddhists declared a boycott, the electorate turned out in large numbers and the results gratified the Embassy. State had reservations about the exclusion of Struggle Movement people, but Lodge unreservedly backed this exclusion, on the ground that GVN "should not be discouraged from taking moderate measures to prevent elections from being used as a vehicle for a Communist takeover of the country." 58/ As the election approached, Washington and the Embassy began to think about what they wanted to see in the new constitution. Lodge's view listed the following minimum essentials for the US best interests:

- A. A strong, stable executive.
- B. Executive control of the military.
- C. Emergency powers, so that the legislature can't hamstring the executive during the war emergency.
- D. Appropriate provision for the people's aspirations and rights.
- E. Minority group representation.

Lodge also listed lower priority requirements for the new constitution:

- A. Relative ease of amendment of the constitution.
- B. Removal of either the President or the Legislature should be very difficult.
- C. A limited term for the President.
- D. Appropriate provision for establishment and improvement of the judiciary.
- E. A superior court for constitutional review of laws and decrees.
- F. Expansion of the powers of provincial councils and other forms of local government.

State expressed broad agreement with Lodge's views, with reservations about emergency powers and about constitutional provisions to forbid communism and neutralism. 59/

TOP SECRET - Sensitive

10. The Roles and Missions Study

In response to a May 27 directive from Deputy Ambassador Porter, the Director JUSPAO had named Colonel George Jacobson chairman of a study group to define RD strategy and the roles and missions of the various elements. The group submitted its report on August 24, 1966.

The major recommendations of Roles and Missions Study were:

- (1) The many elements and echelons charged with destroying VC infrastructure are confusing. The National Police should have the primary mission and responsibility for this goal.
- (2) Reforms in basic GVN attitudes are necessary. Many rural residents believe that the US condones corrupt practices. This must be changed.
- (3) ARVN forces should be encouraged to increase participation in pacification activities.
- (4) PF/RF should be developed into a constabulary-type organization.
- (5) PF/RF should be transferred from the Ministry of Security to the Ministry of Revolutionary Development.
- (6) CIDG should be stationed only in remote areas.
- (7) The Vietnamese Information Service is not effective at local level. It should assume supporting role to propaganda activities of other agencies.
- (8) A Directorate of Intelligence should be established to coordinate all intelligence activities.
- (9) Reinstitution of the MACV Subsector Advisor Fund is urged.
- (10) ARVN Divisions (eventually Corps as well) should be removed from the chain of command in RD affairs. For instance, there were no USAID, JUSPAO, or CAS representatives at ARVN division headquarters.
- (11) Because of generally bad behavior of ARVN Ranger units, they should be disbanded with Rangers reassigned as individuals throughout the Army.
- (12) The physical and attitudinal consequences of present air and artillery employment policies should be studied.
- (13) A logistic system which provides for US government control until delivery of material to end users should be substituted for the present MAP procedures.

TOP SECRET - Sensitive

- (14) The Provincial Committee "signoff" provision should be reinstated for the Revolutionary Development budget.

On September 7 COMUSMACV made the following comments with respect to the Roles and Missions Study:

- (1) Action had been taken to increase ARVN participation in RD, but removal of Division from the chain of command in RD activities appeared illogical. If ARVN combat battalions were dispersed to all 43 provinces, the Corps span of control would be ineffective and this arrangement would risk having these units defeated in detail. The proposed placement of battalions under sector commanders was feasible only in some areas -- to be considered on an individual basis. The 1967 Combined Campaign Plan would clarify the functions of ARVN. Other things such as the buddy system with US units were the realistic ways of accomplishing the goal.
- (2) The recommended disbandment of Ranger Battalions would seriously reduce ARVN combat strength. They should be retained and reorganized under new commanders.
- (3) Recruitment of PF personnel for RD would weaken hamlet security.
- (4) Although the study recommended giving primary responsibility for intelligence to the National Police, the nature of the problem dictated that all US and GVN military and quasi-military elements contribute to this important goal.
- (5) The idea of a single intelligence director seems sound theoretically, but it is not realistic when DIA and CIA are not amalgamated in Washington.
- (6) RD requires both military and civil participation. Continued emphasis on military participation would be given but the major change in the MACV organization suggested by the study did not seem necessary.

One of the year's changes that could have led to implementation of a major recommendation of the Roles and Missions Study, but didn't, was the March decision in Washington to transfer the support of FWMAF and RVNAF from MAP funding to service funding. Studies were made by MACV on how best to implement this change, which became effective in September. It was decided that only the logistic advisory function would be transferred to USARV. Programming budgeting and executing programs remained under MACV. 60 Most important, MAP goods were still put into RVNAF logistic channels, although under the new funding they could have been held in US channels down to the receiving unit.

TOP SECRET - Sensitive

11. Economic Policy and The Port, Third Quarter, 1966

Although in political affairs there was no significant friction between USG and GVN in the Third Quarter, GVN's accumulation of dollar balances and its inaction on economic matters caused growing impatience in USOM and in Washington.

In late July, 1966, Komer and Ambassador Lodge laid the basis for the US position, including a suggestion that from now on USOM should make sure it has the means to monitor and enforce GVN compliance with its commitments.

Komer said:

Devaluation, port takeover, CIP expansion, RD reorganization if all skillfully meshed -- could yet have early impact on VN public and do much in these critical weeks to refurbish GVN image at home and abroad.

So far, however, GVN has failed to move aggressively enough with supplies in country to curb rice and port speculation; has been unwilling to try to develop wage restraint policy in private sector, has dithered on promulgating and carrying out promised regulations re Warehouse removals; has gone about moving expanded CIP goods up country on business as usual basis; has shuffled about on RD reorganization, and Thang's or Ky's famous report to the nation. 61/

Lodge proposed specific means to monitor GVN, and wished to urge the GVN to fund Revolutionary Development with counterpart piasters, so that USG could assure that the funding was adequate. Komer agreed with these proposals. Porter further proposed:

We intend using budget review process and counterpart releases on leverage on GVN CY 67 programs and to seek GVN acceptance of both overall ceiling and commitment to essential revolutionary development programs before we agree to support any part of the budget.

Note degree our effectiveness dependent on credibility our leverage by GVN, which may not be great. 62/

But Porter opposed a complete takeover of the Saigon port, proposed by Komer. 63/

TOP SECRET - Sensitive

Chapter III - A Seven Nation Conference, Legitimate Government,
and High Hopes for the Future, October 1966 - September 1967

1. The Manila Conference, October 1966

In the first week of October, just as planning was beginning for a seven-nation conference at Manila on Southeast Asia, latent mistrust between Southerners and Northerners in Ky's cabinet broke into an open split. A Northerner persuaded Colonel Loan, the Police Director, to arrest one of the Southerners, and although Loan released him on Ky's order a few hours later, six Southerners took it as an affront to all of them and threatened to resign from the cabinet. While conference planning was going forward, the crisis simmered on for almost three weeks, up to the eve of the conference. Lodge tried to mediate, but the six proved difficult to mollify; he conjectured that they were trying to get all the mileage they could out of the embarrassment the crisis would cause Thieu and Ky if it were not resolved before the conference. It was patched up at the last minute. 1/

In preparing for the conference, Lodge was particularly concerned that Ky or Thieu, if put in the limelight through the opening speech to the conference, should avoid embarrassing the USG:

One crucial factor must be degree to which you believe they can be persuaded to make constructive and reasonable speech, avoiding talk of invasion of the North or any other subjects that put us openly at variance with each other...We hope that the GVN can delegate Tran Van Do and Bui Diem as its drafting representatives so that even before they arrive in Manila we would be a long way toward common agreement on the kinds of language we need. 2/

The USG was also concerned that GVN should announce a broad and attractive program that would put a good face on itself and its prosecution of the war:

We welcome your news that Tran Van Do and Bai Diem will arrive Manila October 21...

Since this gives us at least a solid day, the 22d, to refine drafts, we are inclined here not repeat not to ask you to work with GVN on detailed submissions... Rather and absolutely vital to favorable conference result, we believe you should be working with Ky to get his concurrence on the following list of action areas in which we believe forthcoming statement by GVN is not only wise in itself, but essential to US strong and successful public statement from the conference.

TOP SECRET - Sensitive

- A. Land Reform
- B. Constitutional Evolution
- C. National Reconciliation
- D. Economic Stabilization
- E. Improved Local Government
- F. Radically Increased Emphasis on RD/Pacification
- G. Postwar Planning
- H. Corruption
- I. Port Congestion
- J. GVN Reserves

In each of above categories, basic problem is to get GVN commitment and willingness to state its intentions. 3/

Secretary McNamara put down his views on priorities in a Memorandum to the President on October 14. He noted that the US had not yet found the formula for training and inspiring the Vietnamese. The main thrust of the memorandum concerned shifting ARVN more into pacification and shifting the US pacification responsibility to MACV. But in discussing GVN's weaknesses, he commented, "drastic reform is needed." He let that one drop without any recommendation.

The conferees met in Manila on October 24-25, 1966, and after due deliberation issued a long communique on policies for Southeast Asia in general and South Vietnam in particular. They backed the defense of South Vietnam against North Vietnamese aggression, and supported the major outlines of US policy. The GVN emphasized its promises of social revolution, economic progress, and political freedom. They concluded with the declaration of intent to withdraw all US and Free World forces under specified conditions:

29. In particular, they declared that allied forces are in the Republic of Vietnam because that country is the object of aggression and its Government requested support in the resistance of its people to aggression. They shall be withdrawn, after close consultation, as the other side withdraws its forces to the North, ceases infiltration, and the level of violence thus subsides. Those forces will be withdrawn as soon as possible and not later than six months after the above conditions have been fulfilled. 4/

2. Bargaining Begins on National Reconciliation, October-December 1966

The USG, having chafed at the lack of action on the Chie Hoi Program, wanted GVN to broaden it to attract high-level defectors by offering them posts comparable to their existing ones in the VC organization. This idea went down poorly with the Vietnamese. Lodge was pressing the idea from the beginning of October, and although they were reluctant, Thieu and Ky finally agreed on October 20 to proclaim the new program, called

TOP SECRET - Sensitive

"National Reconciliation," on November 1, a national holiday. As noted above, Washington wanted and got a public commitment on this subject at Manila. 5/

Then on November 1, the promised proclamation failed to appear; instead, there was a vague reference to it in a speech on other subjects. When the Embassy inquired, Ky said the speech had to be prepared very carefully, and that he had not had time before November 1; he promised he would have the speech and proclamation ready in early December. Lodge found this explanation hard to swallow, but had to accept it. When "early December" arrived, there was a dead silence; and the end of this exercise was not yet in sight. 6/

3. More Hard Bargaining on Economic Policy and the Port,
October - December 1966

Economic policy negotiations had the same flavor as those relating to National Reconciliation. The USG was dissatisfied, in the third quarter 1966, as noted, on the lack of GVN follow-up on budgetary and foreign exchange promise in June following the IMF agreement. And in the fall, the Saigon Port congestion problem grew serious again; the June agreement had not gone far enough.

At the end of September, Governor Hanh of the RVN National Bank came to Washington to negotiate specifics on economic policy. During the negotiations, Komer cabled Lodge:

We are pressing GVN hard to agree to spend rapidly growing foreign exchange reserves on imports. Otherwise, it will appear and rightly so, that GVN is getting rich at US taxpayer's expense. It is apparent that GVN's chief reluctance on this score is that Thanh/Hanh want to squirrel away reserves for postwar rehabilitation in case US goes away and leaves them. 7/

In the upshot, however, they reached only a vague and general agreement, on October 6, the most specific item being that GVN would limit its inflationary gap to 10 billion piasters in 1967. Dollar balances were deferred to later negotiations. 8/

There was some effort to resolve disagreements on economic matters and the Port just before the Manila Conference, but no progress. Komer went to Saigon after the Conference and, assisting Porter in the negotiations, reached the following agreement with GVN on November 2:

(1) GVN will use all gold and foreign exchange available to it in excess of \$250 million, not including commercial bank working balances, to finance invisibles and imports, including import categories now financed by the US.

(2) GVN will place at least \$120 million of its reserves in US dollar instruments of at least 2 year maturity.

TOP SECRET - Sensitive

(3) During US FY 67 USG will make available at least \$350 million of grant aid for imports, not including PL 480 Title 1 Commodities. Any portion of the \$350 million not required for such imports will be used during the US FY 67 as grant assistance for economic development projects.

(4) Within the balance of payments accounts, the amounts or categories to be financed by each of the governments will be determined through joint consultation on a quarterly basis. 9/

The putting of GVN dollar reserves into US two-year or longer-term bonds would technically improve the US balance of payments, though the gain would be more nominal than real. The agreement left plenty of room for further problems and State recognized that each item would probably have to be pressed again. 10/

Following this agreement, the Embassy prepared to negotiate a GVN budgetary ceiling and related matters. The strategy would be to seek agreement on a firm budget ceiling for GVN without committing the USG on its spending in Vietnam. But the Embassy had misgivings about this approach:

...It deprives US of the monetary gap analysis as a hinge on which stabilization agreements can be hung...Note that Komer-Hanh memorandum signed in Washington used 10 Billion gap figure as objective.

GVN officials are anxious to resume discussions. Prime Minister now has on his desk proposed GVN CY 67 budget of 100 billion piasters. The differences between that figure and acceptable one is much greater than the differences in US ceiling estimates last discussed here during McNamara's visit. 11/

State cabled its agreement that showing GVN the US plan to limit its own piaster spending would help get GVN to accept tight ceilings itself. 12/

In December, Embassy negotiators tried to pin down GVN on the means to limit its accumulation of dollar balances, talking mainly with Governor Hanh. To evade specific commitment, he repeatedly talked as though he could not determine GVN budget policy (which he had negotiated in Washington two months before) and that he could not as a good banker make the bookkeeping transactions that would be required to permit GVN to run them down by buying imports. The Embassy negotiators then turned to the idea of asking for a GVN contribution of 8 billion piasters to the Free World Forces' operating budget in Vietnam as a cost-sharing arrangement, which would incidentally reduce GVN's receipts of dollars and so help run down the balances. GVN's reply was that that was impossible. After a series

TOP SECRET - Sensitive

of talks that read like haggling in an Arabian marketplace, Porter went to Ky about it and got the following understanding:

The GVN accepts the principle of contributing to free world forces local expense and will make a contribution of 1 billion piasters for that purpose at the end of March 1967. The matter of further contribution would be considered at that time. I would send him a letter of understanding on that subject. 13/

The story was much the same on GVN support for AID projects. 14/

The Saigon Port congestion problem led to discussions starting around the 1st of October, which produced nominal, ineffective agreements in the first week. When McNamara went to Saigon to discuss new major troop deployments with MACV, he talked to Ky on October 11, Ky kept talking about infiltration whenever McNamara brought up the subject of the Port. Finally, Ky said he had solved the Port problem by telling the Minister of Finance "to write a decree to get rid of the mafia which was dominating the port." 15/

That did not solve the problem; the Embassy kept pressing. On November 2, Ky promised a tough decree on port management and a deliver-or-get-fired order to the General who had been put in charge of the Port after the June agreement. (Accepting merely this order would permit further delay before any change in the system, of course.) Later on in November, Ky changed port charges and accepted some increase in US military personnel there; but both GVN and MACV strongly resisted any increase in MACV responsibility for the port. The GVN also refused to confiscate goods left unclaimed over 30 days in the port warehouses. Further talks in December got nowhere, although State authorized drastic leverage to move GVN:

To this end you might also tell Ky that I have gone so far as to propose a two month moratorium on shipment of US financed CIP goods beginning 1 January to permit backlog in transit warehouses and on barges to be removed. You could cite my view as being that if GVN won't clear port, why should US add to congestion by continuing to ship goods?

I recognize that actual moratorium would be draconian measure and perhaps unrealistic, but citing it...might help move Ky. 16/

4. Corruption Becomes an Issue at Year's End

The issue of corruption came up in several ways in November and December, 1966. On November 10, Ky told Lodge he was now prepared to relieve General Quang of his command of IV Corps, following up on intentions he first told Lodge about in August. Lodge again urged caution, saying Ky should carefully avoid starting "another General Thi incident." But Lodge was satisfied that by this time Ky had prepared well for the move. 17/

TOP SECRET - Sensitive

He had: on November 18, the Embassy got word that General Quang would head a newly-created Ministry of Planning and Development; the Ministry would deal primarily with postwar planning. The command changed and Quang moved up on November 23. Possibly Ky's idea of how to deal with Quang came from an end-October suggestion from the Embassy for a joint postwar study team, to which Ky had agreed and was to announce jointly with the White House. (Creating the Ministry scrambled the plans for the study team and announcement, so the Embassy had to go to work on a new plan.) 18/

A couple of weeks later, following allegations of corruption in news stories, State cabled the Embassy that the President wanted accelerated efforts both to cope with diversions and to deflate distorted allegations. State was also considering sending a "blue ribbon panel" from Washington to assess the problem of AID misuse. Responding to the stories and to the Washington concern, Ky said he planned a national campaign against corruption. State told the Embassy on November 25 of suggestions in Washington for a joint US/GVN inspectorate general to follow up AID diversions, and asked for a reaction. After a delay due to active truce discussions with the VC, Saigon replied on December 2:

There is already an interchange of information on the working level between Ky's investigative staff and our responsible people in USAID. We doubt GVN would respond positively to idea of joint US/GVN inspectorate to work on AID diversions. This would touch very sensitive areas. While we want to expose and cut diversions to maximum extent possible, we doubt that this rather public way is best suited to achieve GVN cooperation. 19/

On December 3, Lodge and Ky had an "amiable discussion" on corruption, and Ky agreed to study and consider all these suggestions. 20/

5. Political Matters at Year's End, 1966

Washington and the Saigon Mission watched closely as the Constituent Assembly did its work. Concern arose at word that GVN was providing a complete draft constitution either formally or through sympathetic Deputies, particularly because it provided that ultimate political power would be vested in the Armed Forces Council. 21/

Washington, consistent in its championing of National Reconciliation, urged the Mission to make the USG's views known both to GVN and to key CA members before the matter became a major issue. 22/ Lodge spoke with Ky who said he was at that very moment about to leave to talk with Thieu on the matter. Lodge further encouraged Ky to state his views on the constitution to the Chairman of the Drafting Committee and reminded Ky that the American constitutional expert, Professor Flanz, was available to go to Ky at any time to give advice in complete confidence. 23/

TOP SECRET - Sensitive

General Thieu concluded one of his regular discussions of the military situation with General Westmoreland by making a few pronouncements on political matters. Westmoreland stressed what was to become a persistent American theme, the importance of unity in the GVN leadership. Unabashedly Thieu said that the key question was whether the Army would stay in power and what power they would retain. 24/

6. Pacification and the Shift of ARVN

Komer, in Washington, continued to prod the Mission to goad GVN. It seemed time to remind them, he thought, of their Manila promise to give top priority to land reform. Lodge was asked to press Ky for vigorous application of existing laws. 25/

Continuing emphasis on pacification and increased impatience at the lack of progress brought another reorganization of the US Mission effort. To unify and streamline the civilian side, the Office of Civil Operations (OCO) was established in late November under Deputy Ambassador Porter. An OCO Director in Saigon and a single Director of Civil Affairs for each of the four corps became responsible for the Mission's civil support of Vietnamese Revolutionary Development. 26/ Within GVN General Thang not only lasted beyond the originally envisaged six months but was elevated to Commissioner-General for Revolutionary Development with supervision over the Ministries of RD, Public Works, Agriculture, and Administration (Interior). 27/ These changes seemed to enhance the chances for substantive improvements. Washington wired,

Why not approach Thang and after telling him about your reorganization and new faces you plan to put in region and then provinces, suggest he essay a shake-up too.... As I recall, around Tet GVN issues a new promotion list, which usually also entails some joint shifts. This might provide a good cover. 28/

The reply offered now familiar themes as the reasons for inaction,

Specifically, if we were to give Thang a list of district chiefs and ask that they be removed, we do not think any significant change would result. In the past this tactic has proved cumbersome, even counterproductive, and tends to lead either to reshuffling of positions with little or no positive end result or to the Asian deep freeze treatment.

...At times we will have to make our views known on particular personalities if we find an intolerable situation in key leadership positions, as we have done in Long An and the ARVN 25th Div. Basically, however, we will seek to avoid too deep an immersion in Vietnamese personalities,

TOP SECRET - Sensitive

which can so easily become a quagmire from which there is no escape and concentrate instead on encouraging the GVN/RVNAF to take the initiative in a situation they know best how to tackle in specific tactical terms. 29/

Meanwhile, efforts went forward to convert half of ARVN to the primary mission of supporting Revolutionary Development. On October 5, the Chief of the Central Training Agency, Major General Vy, chaired the high level joint conference which assigned administrative tasks and developed a schedule of required actions. Subsequently, a joint MACV/JGS team visited a few ARVN division headquarters and found that personnel had not understood the July JGS directives and thus had not undertaken the actions directed. 30/

At about the same time, Revolutionary Development Minister Thang entered one of his recurring periods of pouting because he considered recent American criticism of slowness to imply their evaluation of the program as a failure. He told Ky he was ready to resign if Americans were so critical that they wanted to take it over and run it. Lansdale was able to placate Thang, but ARVN reluctance continued. 31/

The conversion to RD was fraught with criticism on both sides, for the American press continued to suggest that the ARVN shift to pacification meant Americans would bear the brunt of the fighting and take the bulk of the casualties. 32/ State considered this line tendentious and urged Lodge and MACV to use "all leverage provided through MAP and advisor program" to shift ARVN to RD. 33/

7. Military Advisory Matters at Year's End, 1966

COMUSMACV backed out of ARVN personnel selection by serving notice in a message to Corps Senior Advisors that only policy matters, not the detailed problems of failure to perform, were to be referred to him.

In reviewing the deficiencies discussed in the Senior Advisor's Monthly Reports, it is noted that many items are correctable in command channels at unit, division, or corps level; yet it is not apparent that such action is being taken aggressively at local and intermediate command levels. Deficiencies involving policy are referable appropriately to this headquarters; deficiencies involving non-compliance with directives, apathy on the part of a command, etc., are to be resolved in RVNAF channels.

The role of the advisor is difficult and often frustrating. It requires military acumen, dedication, selflessness, and perseverance. It is desired that addressees channel the professional abilities of the advisory

TOP SECRET - Sensitive

apparatus into efforts designed to complement tactical advice with improvement in the quality, efficiency, and reliability of the RVNAF structure as a whole. 34/

Shortly afterward the Chinh-Hunnicuttt affair erupted. As it unfolded it revealed the near impossibility of eliciting satisfactory performance by means of the existing advisory system. CG 25th Division published an order of the day accusing the Senior Advisor of trying to have the CG removed, of attempting to dismiss other division officers, of bypassing the chain of command, and of destroying the "spirit of cooperation between Americans and Vietnamese."

The MACV command history describes General Chinh as extremely weak, afraid to command. The Senior Advisor was a dynamic, competent officer assigned to improve effectiveness. He pursued his objective in a firm manner.

COMUSMACV felt the incident received distorted press coverage in the US where it was portrayed as a challenge to the entire position of the US advisory effort. He noted that the Vietnamese were sensitive to real or imagined infringements on their sovereignty. Great care had to be exercised to avoid even the appearance of violating their pride; an officer who yielded too readily to US advice was regarded as a puppet. He felt the most effective way to work with the Vietnamese was to discuss matters with them and then allow them to resolve their problems. CG 25th Division did have redeeming qualities. He was considered honest; and for his stand at the coup trials in the early 1960's, when he had accepted punishment while many others were running; he had acquired a sizeable following among ARVN officers. He was, in addition, a boyhood friend of CG III Corps, who was said to recognize the CG's fault but felt that his hands were tied.

Deputy COMUSMACV who enjoyed good rapport with CG 25th ARVN Division, visited General Chinh. In a two-hour meeting, the Vietnamese spoke freely and openly. He displayed genuine and extreme concern and admitted his error in issuing the Order of the Day. He had already apologized to CG III Corps. Deputy COMUSMACV received the impression that the advisor might have been a little too aggressive with the Vietnamese general, who was hypersensitive. Deputy COMUSMACV suggested that a memorandum be published to the division which would mention that the Order of the Day had leaked to the press which had taken it out of context and that there was no intention to disparage the advisory effort. The memorandum was published on December 21. It said the past must be forgotten and that cadre of all ranks should display warm, courteous, and friendly attitudes toward their American counterparts. General Chinh appeared to turn over a new leaf. Colonel Hunnicutt was reassigned to an apparent terminal assignment in the United States. 35/

COMUSMACV addressed a letter to all advisors in December, 1966, to again emphasize the importance of rapport. He said, the key to success or failure was the relationship achieved and maintained by the advisor

TOP SECRET - Sensitive

with his counterpart. The natural tendency of the US professional soldier was toward immediate reaction. He expected the same in others, but it was necessary to temper counterpart relationships with patience and restraint.

General Westmoreland affirmed this view in his remarks at a conference of his senior subordinate commanders.

In order for ARVN to be successful, a re-education process is necessary, from the generals on down...The attitude of the soldiers toward the people frequently is poor....We must do all we can toward to change this...

...In conduct of operations in support of Revolutionary Development, we will frequently have units buddy up with ARVN units...A word on command relations in these combined operations is appropriate. We have had great success with our cooperative efforts in the past. We should establish a proper relationship from a technical command standpoint. Proper types of missions are general support and direct support. When conducting operations where we have the preponderance of forces committed...their association will be in direct support or general support of our operations. This is good military terminology and quite proper for us here. General Vien agrees in this terminology. 36/

Sometimes ARVN was not receptive to advice. In November, recognizing the validity of a recommendation from the Corps Advisor that an additional battalion be activated in the ARVN 23d Battalion, COMUSMACV suggested this to JGS. Inactivation of a marginally effective battalion in another division was suggested as compensation. Chief JGS, for reasons of his own, declined to authorize the 23d Division to have an additional battalion.

Still, the effort moved forward. Training of RD Mobile Training Teams from each ARVN Division was conducted in December. The actual conversion training of divisions started in early 1967, and a similar program for RF/PF was planned. In fact, planning was viewed as the surest sign of progress. The 1967 Combined Campaign Plan was ceremoniously signed by Generals Westmoreland and Vien on December 8. Its significant innovations were requirements for subordinate commands to prepare supporting plans and for quarterly reviews to maintain the plan's viability. 37/

8. Constitution-Writing in January, 1967

Progress within the Constituent Assembly and preliminary jockeying over the new constitution were persistent concerns during the first quarter of 1967.

At times the Assembly seemed remarkably independent. It publicly fought against a law which gave the military junta the right to over-rule

TOP SECRET - Sensitive

its decisions. The controversy subsided in January with Junta assurance that it would not use the law. There was considerable discussion within USG circles as to how American influence should be disposed in supporting presidential candidates. Marshall Ky was already making noises about running. Washington cautioned Saigon not to automatically oppose a Ky candidacy. While State would prefer a civilian president, the most important matter was to effect transition to a constitutional government that was strong and unified enough to continue to prosecute the war effort (or negotiate a peaceful settlement),

...and at the same time broadly enough based to attract increasing local and national political strength away from VC. 38/

Ambassador Lodge's reply was, "the continued viability of SVN depends very heavily on the cohesiveness of the military." 39/ This had been and remained his evaluation of the political situation.

...Unity of the military is essential to government stability in VN. From the standpoint of stability, this is the Law and the Prophets.

Movement toward a broadly based, truly popular government is impossible without stability.

The military is also the chief nation-building group in the country. It has education, skills, experience, and discipline which no other group can offer. 40/

State acquiesced in this argument but continued to hope for a government broadly enough based so that the VC would find avenues to conquest of South Vietnam effectively blocked.

...In our view it is less a question of any civilian candidate controlling the military and more a question of the military being educated to accept a sharing of power and responsibility with civilians as a necessary elementary political progress. This means a readiness to accept the outcome of a free and open election in which the candidate favored by the directorate may not win. 41/

9. Foreign Exchange Negotiations and the GVN Budget, January - March 1967

The problem of GVN dollar balances remained a thorn. GVN did nothing to carry out its November agreements. With scarcely concealed impatience, Ambassador Porter offered GVN a tough economic program, in a meeting in the first week of January, 1967, with special emphasis on the dollar balances. Reporting on the meeting, he said:

TOP SECRET-Sensitive

TOP SECRET - Sensitive

We underlined many times the very high level of the US commitment and said that we could not make this commitment unless we had an iron-clad guarantee that the GVN would live up to the foreign exchange agreement...we stated that this was the minimum the US could accept. 42/

Hard bargaining continued, including another Hanh trip to Washington. 43/ Preliminary to the Conference, Washington considered several steps which might be taken:

- ...1. Agreement on a piaster/dollar rate of 118 for official US purchases.
2. US use of all counterpart over P-30 billion.
3. Increase of Assistance In Kind from GVN.
4. Possible transfer of some official purchases from the 80 to a 118 exchange rate without changing the official rate.
5. Transfer of DoD contracts to the 118 rate.
6. Tying all 80 rate dollars to US procurement.
7. 100% US use of PL 480 sales. 44/

Saigon's opinion was that for these negotiations there were two main routes:

- (1) A switch of counterpart funds from their use to ours, and
- (2) A change in the exchange rate.

The first seemed preferable because it was more negotiable. The second might be counter-productive by "simply angering Hanh without moving him." 45/ On February 20, GVN merely agreed to work on an "interim memorandum of understanding which would include actions to implement the foreign exchange agreement of last November." 46/ When Komer went to Saigon later in February to negotiate, he found it necessary to threaten specifically to reduce the CIP program to force down GVN's dollar balances, noting that once the program was cut Congress would be unlikely to restore the cuts. The negotiations amply demonstrated the truth of Hanh's remark that Orientals only act after much bargaining. As Komer started to walk out the door after a meeting, Hanh hinted at a raise in the official purchase piaster rate from 80 to 118, but made no other concession. 47/ (At no time did the USG threaten explicitly to buy piasters in the open market, as Porter and DASD (Economics) had earlier proposed, a procedure that would knock down GVN dollar balances to whatever extent we wanted while using fewer dollars to get the required piasters.) In an exchange of letters early in March, Hanh said he understood the US was willing to

TOP SECRET - Sensitive

establish \$50 million development fund in return for their purchase of 300 thousand tons of rice on a 100% US use basis and repayment of \$25 million ICA loan. 48/

From Komer, now back in Washington, came this reply,

There is in my view no doubt whatever that Hanh, and for that matter Ky, understood full well that we did not agree to the \$50 million GVN Development Fund as part of interim package. Nor do I regard our credibility as enhanced if we now retreat even more on this issue. Finally, I regard the Development Fund as a sweetener so clearly wanted by the GVN that we need not give it away too cheaply.

While in one sense we have little immediate leverage to use on the GVN so long as we do not choose to withhold aid in one form or another, in another sense we clearly have the GVN worried. I believe that, either through a definitive solution this June or more likely via Salami tactics, we can keep GVN reserves from rising too far. 49/

In mid-March Komer reached another "Interim Agreement" with GVN on foreign exchange. 50/ It provided that:

- (1) The United States would supply at least an additional 100,000 tons of PL 480 rice and a further 300,000 tons of rice under terms providing for 100% USG use of proceeds.
- (2) GVN would make available up to \$120 million of foreign exchange for financing commodities previously imported under the CIP.
- (3) The United States would make available for economic development projects the balance of FY 67 funds unused as a result of the reduction of the CIP program and would proceed to initiate and make grants for several interim projects.
- (4) The United States agreed to the establishment by GVN of a \$50 million development fund for purchase of US goods and services, such fund to be considered as use of Vietnamese foreign exchange resources under the November 4, 1966 agreement.
- (5) GVN would repay US loans totalling \$53 million. 51/

TOP SECRET - Sensitive

TOP SECRET - Sensitive

Closely related on the economic front was the GVN budget. Estimates of the CY 1967 inflationary gap grew during the quarter from 14 to 20 billion piasters. 52/ The United States exercised only spotty influence on their budget, specifically on those items receiving direct American support; and general persuasion was used to hold down the overall limit. Governor Hanh tried to transfer all US counterpart funds to the military budget with the explanation that only the US military could adequately control the South Vietnamese military, but the guessing was that this might also be his way of freeing GVN civilian agencies from any American interference.

Washington efforts to get more information on the GVN budget only brought educated guesses and a reminder that the Mission did not participate in a review of the GVN civil budget as was the practice for the military part. 53/ The CY 1967 budget of 75 billion piasters was issued without prior discussion with AID. It was unsatisfactory. USAID had the leverage to negotiate because of counterpart funds and PL 480 receipts, but the major problem was how to provide AID the necessary funding mechanics to implement programs at levels sufficient to meet established requirements. 54/

10. The Saigon Port Again

Severe congestion continued to plague the Port of Saigon. A drop in CIP/GVN cargo discharged in December brought queries from Washington. Saigon replied that the drop was due to the GVN port director's abortive great barge experiment and listed a number of corrective steps taken. In fact all were peripheral to the central problem, the failure of commercial importers to remove their goods from crowded warehouses. Saigon warned,

Any additional actions...would require high-level government to government agreements which in our estimation would not be appropriate at this time. 55/

Highest authorities in Washington remained concerned and pressed for a complete military takeover or at least a comprehensive alternate plan which would demonstrably meet the problem. 56/ Saigon held back with the view that progress was being made, that Ky was persuaded of the need to eliminate port congestion and that he was doing his utmost to solve the problem. 57/ A US takeover was once again viewed as neither politically possible nor desirable. 58/ CINCPAC chimed in to support strongly the Saigon position, 59/ and at the end of the quarter Washington was still peppering Saigon with comment:

We here do not take same relaxed view of barge situation Saigon port as Saigon...Highest authorities have been consistently concerned. 60/

TOP SECRET - Sensitive

At the same time an overlooked aspect of the earlier extension of US control of the port was being bounced back and forth. MACV clearance of AID financed project and procured commodities was estimated to have made AID liable for one billion piasters for port clearance costs previously financed by GVN. Nobody was quite certain how to approach GVN on the matter or how the US should pay the bill within existing dollar and piaster ceilings. 61/

11. Minor But Prickly Problems, January - March 1967

The clearance costs problem was an example of several minor matters which arose between the governments, problems that were often difficult to handle because prestige and sovereignty were involved. GVN National Bank Governor Hanh and the Embassy tangled over GVN issuance of instructions to commercial banks operating facilities for US military forces. 62/

The Embassy became concerned because American civilians, tried and punished in GVN courts on the basis of American-supplied evidence, were subjected to extortion. The ticklish part of the problem was how to investigate the practice without jeopardizing those in the midst of buying their way out. 63/ Soon there were ill-considered remarks to the press by Brigadier General Loan who said that GVN had sole jurisdiction over civilians. 64/ State instructed Saigon to keep mum on the subject. 65/ Finally, in March it was publicly announced that the United States would exercise court martial jurisdiction over civilians but "only rarely, in exceptional cases." The US did not question, as a matter of law, the existence of a basis for court martial jurisdiction over civilians and indicated that our policy would be to handle the problem of civilians in other ways. The statement was careful to reaffirm US respect for GVN sovereignty, so as to avoid the issue of a formal status of forces agreement. 66/

Whether GVN could levy requirements for reports and payments upon US contract airlines caused bantam-like stances on each side. 67/ GVN demanded that contract flights pay landing charges. Porter replied that was improper and offered GVN notification of flights as a sop. Ky's retort was a demand for copies of contracts and schedules, restrictions on in-country flights and limitation of loads to personnel and equipment strictly military. We rejected those terms and the military nature of the problem probably saved a contract flight from becoming the "example" later in January when one plane-load of Pan American passengers baked in tropical heat for several hours while GVN refused them permission to disembark at Tan Son Nhut.

Premier Ky's implied intention in February to accept an invitation to speak in the United States produced an apprehensive reaction from Washington. Ambassador Lodge cautioned, "We have twice headed him off and to object a third time might create strain." 68/ Eventually Ky was able to publicly postpone his visit on the grounds that his presence was needed to insure a free and fair election.

TOP SECRET - Sensitive

Diversion of MAP material remained a closet skeleton to be rattled periodically. In February, MACV performed estimative gymnastics to suggest that no more than 0.3% of MAP material had been so lost. 69/ CINCPAC quickly suggested that valid data did not exist and would be hard to compile. He said that the differences between manifests and the material actually received should be otherwise identified, and his thoughts seemed for the moment to take care of a potentially embarrassing need to explain a \$5 million problem without even bothering GVN. 70/

Throughout the quarter there were periodic flurries of talks about negotiations with North Vietnam. U Thant was especially active and these maneuvers caused an uneasiness in US/GVN relations because Saigon was never completely certain what role it would have in such discussions. 71/

12. The Other War

Top levels in Washington realized that not much progress was being made in Revolutionary Development and exhorted Saigon to integrated, detailed civil/military planning. 72/ COMUSMACV waffled once again on whether ARVN battalions supporting RD should actually be retained under the operational control of the province chief. 73/ US Army units continued their work in the densely populated Delta provinces. On one occasion Premier Ky called Colonel Sam Wilson in for his view of progress there as well as to ask for an evaluation of the ARVN 46th Regiment. Wilson was able to say plainly that the unit was poor and that its commander was ineffective and, without a doubt, corrupt. Ky explained that the commander in question was a close friend of the division commander who was a close friend of the corps commander who was a close friend of Ky. That seemed to explain the matter. 74/

The US continued to press national reconciliation upon the Saigon government. Unger and CAS assets worked with the Constituent Assembly to get NR into the constitution. The lack of enthusiasm was alleged to be fear of unilateral US peace action. 75/ The present GVN continued, as they had so often before, to agree readily in conversations with us to the principle of national reconciliation; yet any concrete implementation remained illusive even through another top level meeting with the President. 76/

13. Guam Meetings, March 20 and 21, 1967

President Johnson announced that his purpose in calling the Conference at Guam was to introduce the newly appointed US team to the leaders of GVN. The shift of personnel represented the largest shake-up in US leadership in South Vietnam since August 1965. Ambassador Bunker was designated as the replacement for Lodge, and Locke took Porter's place. In a move to resolve the controversy over military versus civil control of Revolutionary Development, Robert Komer took charge with the rank of Ambassador under the COMUSMACV organizational structure with czar powers and a strong mandate to produce progress.

TOP SECRET - Sensitive

Most happily, the Constituent Assembly completed its work on the constitution just in time to permit Premier Ky to present a copy to President Johnson at Guam. As had been the case on the two previous occasions of top US/GVN talks, the communique which resulted from the 2-day meeting lay primary emphasis on political, economic, and social matters. 77/ The military picture was presumed to be so encouraging and improving as to need no special attention.

14. Routine Matters, April - September 1967

Most of the previous problems persisted during this period. By June the rate of inflation was predicted to be 45 - 50 percent per year, and the piaster gap was to be 17.3 billion greater than projected. 78/ Hanh, now GVN Economic Minister, scheduled a September trip to Washington and the list of expected topics read very much the same as agendas for many previous such meetings. 79/ Hanh could upon occasion get very excited, as in the case where a suit by a Greek shipping line froze the GVN account in a New York City bank; 80/ but despite repeated urging from Washington, nobody in Saigon could get up courage enough to approach GVN on those retroactive port clearing charges. 81/

On April 18, GVN finally issued a National Reconciliation Proclamation which stated that "All citizens who rally to the national cause can be employed by the government in accordance with their ability," 82/ but the decree proved to be a mirage. It used the Vietnamese words for solidarity rather than those for reconciliation and the program proceeded in consonance with that distinction. Saigon reminded State that Premier Ky had recently told the Ambassador that meaningful progress on national reconciliation could only come after a constitutional government was established. 83/

On the MACV side, Ambassador Kcmer was getting organized. In response to a Washington query on land reform he recalled his consistent position but pointed out that it was not an important issue in Vietnam. Far more important was the matter of security in the countryside. 84/

The US continued to deliver material assistance to improve the morale of ARVN troops. A \$2.83 million program for 913 ARVN dependent houses was upgraded to provide more modern structures with utilities. 85/ USAID helped the RVNAF commissary system for RVNAF and dependents. Although rice was eliminated to avoid lowering its open market price, GVN sought compensating increases in the meat and fish supplied. 86/ MACV programmed over \$3 million to the RVNAF Quartermaster Corps which supplied field and garrison rations. 87/

But there were continuing signs that ARVN as a fighting force needed propping up. Sporadic efforts at encadrement appeared. The USMC Combined Action Companies in I Corps were well publicized. In April, the US 25th Division completed studies, and transmitted to General Chinh, still CG

TOP SECRET - Sensitive

ARVN 25th Division, the Combined Lighting Concept. It brought together in one outpost a US squad, an ARVN squad, and a PF squad.

In response to Washington inquiries, General Westmoreland reported by message in May, 1967, "A command project was initiated on January 26, 1967, to review the performance of RVNAF units and to identify those considered ineffective and non-productive. Units so identified are being evaluated with a view to withdrawal or reduction of military assistance support unless improvement in these units is possible. The evaluation will be conducted every six months resulting in a final determination each June and December...

The methodology for evaluation includes:

- (1) Identification of units judged ineffective or nonproductive.
- (2) Evaluation of credibility or feasibility of present plans to guarantee increased effectiveness.
- (3) Study of unit performance trends during the past six months.
- (4) Determination of the availability of plans to train personnel.
- (5) Evaluation of command interest at all levels for improvement.

Units will be classified as Improvement Probable, Improvement Doubtful, and Improvement Unlikely. Those in the latter two groups must justify continued military assistance or action will be initiated to reduce FY 68 support.

Current Status: All VNAF and VMC units are effective and productive. Support to VNN reduced by \$7800 which reflects discontinuance of support for two fishing boats which are not configured to support any role assigned to VNN. The evaluation of ARVN is only partially completed."88/

In July, the MACV staff briefed Secretary McNamara in Saigon and touched again on the subject of encadrement. One concept considered was VATUSA (Vietnamese Augmentation to US Army) whereby two or three Vietnamese would be assigned to each squad in US combat battalions. While this scheme offered the advantages of improving ARVN skills and of utilizing additional RVN troops without further strains on already limited ARVN leadership, the only real gain for the US was viewed to be a possible reduction in US strength. The disadvantages pointed out were the political climate, the language barrier, the danger to US unit security, the administrative and disciplinary difficulties and the probable irritation between VATUSA and regular ARVN unit soldiers. These, it was judged, dictated against its adoption.

TOP SECRET - Sensitive

TOP SECRET - Sensitive

A second concept considered was salting ARVN forces with US leadership in command positions. The analysis indicated that for political and psychological reasons, it would probably be best to put two US officers and three US NCO's in an instructor's role with each RF company rather than in a command role. Command would be exercised by the RF company commander but he would be required to follow the directions of the US training team leaders.

The conclusion reached was to continue the "salting" experiment with expansion in view if the initial results were good. There is no evidence that anything became of the experiment. 89/ *included in G, omitted in PP*

None of this seriously worried top RVNAF leadership; so they indulged in more interesting international activities. [In May, talks started between Lao and GVN military staffs.] The occasion was planning for barrier extension westward, but Washington realized at once that there was little the US could do to limit the contacts to that subject. 90/ [In July, it was discovered that GVN was using Chinat agents, disguised so as to appear to be South Vietnamese with Nung ancestry, on covert operations. JCS disapproved of the effort despite appeals from COMUSMACV. The Chinats appeared to be the result of a secret bilateral agreement concluded during 1966. 91/ In September, MACV reported that GVN had occupied Pattle Island in the Crescent Group about 170 miles south of Hainan with the intention of constructing an airfield there. Because these islands are already claimed by Communist and Nationalist Chinas and the Philippines as well, MACV advised against US cooperation in the adventure. 92/]

15. The GVN Presidential Election

Pre-nomination maneuvering and legitimacy of the Presidential campaign were the subjects which occupied American attention above all else. The first task facing Ambassador Bunker as he arrived on station in April was to oversee the delicate transition of GVN to a government based upon a popular election recognized by the world to be fair.

Premier Ky was already openly acting like a Presidential candidate in April. General Thieu was informed that the generals had endorsed Ky while Thieu was absent from the scene recovering from an appendectomy. 93/ That was not sufficient to scare Thieu from the race; so the US Mission became increasingly worried that the Thieu-Ky competition threatened the indispensable unity of the military. 94/ Dickering remained behind the scenes until Ky formally announced his candidacy on May 12. 95/

TOP SECRET - Sensitive

TOP SECRET - Sensitive

This served only to intensify the rivalry. By mid-June, the Thieu-Ky confrontation showed no signs of moving toward satisfactory resolution. 96/ Basically, Ambassador Bunker believed in an indirect approach. He did not hesitate to approach Ky and Thieu individually on the broader issues of arbitrary press censorship, questionable tactics being pursued by Ky supporters six weeks before it was legal to campaign, or unity of the Armed Forces. 97/ But, on the confrontation between the two candidates, Bunker's ploy was to hold an informal luncheon to which the two principals were invited. In the end they had to work out their own solution. 98/ They did. At the end of June the 50-60 officers of the Armed Forces Council met in a 2-day, continuous session at which both Thieu and Ky performed histrionics. The surprising result was that Ky agreed to run for the Vice-Presidency on Thieu's ticket. 99/ The Mission sighed in relief and agreed that Bunker's approach had worked. The Ambassador congratulated the candidates, and Thieu obligingly announced that if elected he would appoint a civilian as Premier. Ky agreed. The RVNAF chief of staff had earlier announced that there would be no officially endorsed military candidate; yet the Constituent Assembly conveniently approved a draft article which permitted Thieu and Ky to run without resigning from the Armed Forces. By mid-July, the Assembly had voted acceptance of the Thieu-Ky ticket while disallowing one headed by Big Minh who remained in nearby Bangkok as a potential threat to the younger pair. 100/ With only a few hitches, the campaigning proceeded so as to satisfy American observers that it was acceptably fair; and the resultant Thieu-Ky victory was a surprise only in its smaller-than-expected plurality.

TOP SECRET - Sensitive

16. Blueprint For Vietnam, August 1967

State suggested that completion of the election process was a proper occasion upon which to consider several proposals, including increased leverage, for advancing the total American effort in South Vietnam. 101/ Bunker also mentioned this when he transmitted the paper, "Blueprint for Viet-Nam." The "Blueprint" ranged widely over all topics and struck a consistently optimistic note:

Progress in the war has been steady on all fronts. We can defeat the enemy by patient, continued, and concerted effort. The way to do this is for the GVN and its allies (a) to reinforce and accelerate the progress already made; (b) to markedly improve the interdiction of infiltration of North Vietnamese troops and supplies; (c) to upgrade, accelerate, and coordinate the pacification program in the countryside; and (d) to maintain political and economic stability and support the development of the constitutional process.

... We still have a long way to go. Much of the country is still in VC hands, the enemy can still shell our bases and commit acts of terrorism in the securest areas, VC units still mount large scale attacks, most of the populace has not actively committed itself to the Government, and a VC infrastructure still exists throughout the country. Nevertheless, the situation has steadily improved since the spring of 1965...

Now, that the initiative is ours and the enemy is beginning to hurt, maximum pressure must be maintained on him by (a) intensifying military activity in the South; (b) developing new methods of interdicting infiltration; (c) bombing all targets in the North connected with the enemy's war effort that do not result in unacceptable risk of uncontrolled escalation; (d) accelerating the program of pacification (including better security more effective attacks on the infrastructure, stepped up National Reconciliation and Chieu Hoi programs, a greater involvement of the people in solving their own problems at the village and hamlet level); (e) encouraging reforms in the government structure and continued improvement in the armed forces; (f) attacking the problem of corruption; (g) using influence to effect a strong, freely elected government with political stability; and (h) taking actions necessary to the continued growth and stability of the economy... 102/

In a subsequent message Ambassador Bunker stated more specifically that the United States should use its influence to get GVN to do the following:

- A. Seek broad based popular support.

TOP SECRET - Sensitive

- (1) Appoint prominent civilians, including some leading opposition candidates, in new government.
- (2) Use appointments to insure association of a new government with various religious and political groups.
- (3) Adopt a program and identify it with that of a former national hero, "so as to give the new government an idealistic appeal or philosophy which will compete with that declared by the VC." Bunker suggested Nguyen Hue.

B. Work on a more continuous, although informal basis with US Mission. Bunker suggests regular weekly or semi-monthly lunches.

C. Adopt a program to include the following:

- (1) Public recognition of the
 - (a) Necessity for every Vietnamese to contribute to the war effort.
 - (b) Need to change draft laws.
- (2) Reaffirm on-going programs relating to RVNAF, including
 - (a) MACV program of ARVN improvement through merit promotions and a military inspectorate.
 - (b) Elimination of corrupt, inefficient leaders.
 - (c) Expansion of RF/PF and adoption of the MACV recommended system of US advisory teams operating with RF/PF for 6-month period.
 - (d) Greater integration of US forces or joint operations.
 - (e) Reorientation of the concept of the Pacification Role of ARVN, RF, and PF in accordance with MACV suggestions -- from static support to mobile, area security with night patrolling and a system of inspection and grading to insure implementation.
- (3) Make the Province Chief the "key" man in pacification -- giving him operational control over all military and para-military forces engaged in pacification. He should appoint district chiefs. He should report to Corps commander on military matters and to central government on civil matters. An inspection, training, and rates system should be established.

TOP SECRET - Sensitive

- (4) Centralize all rural development efforts in non-RD hamlets under one coordinated control in some manner as is now done in the Ministry of Revolutionary Development for RD hamlets.
- (5) Construct an adequate number of processing and detention centers in provinces and permanent prisons on islands on priority basis together with passing of laws that it is a crime to be a VC civilian cadre.
- (6) Pay higher salaries to selected GVN officials, including the military, particularly those officials able to control corruption or in a position to be tempted by corruption.
- (7) Reaffirm National Reconciliation and Chieu Hoi programs.
- (8) Grant villages the power to enforce land rental laws.
- (9) Adopt the whole of the "operation Take-off" pacification program prepared by MACCORDS.
- (10) Establish joint council procedures over expenditure of counterpart piasters by reinstating sign-off by US advisors at province level.
- (11) Revitalize the veteran's program.
- (12) Increase receipts from domestic taxes and tariffs, and revise monetary policies. 103/

17. The Leverage Study

On August 31 State transmitted a study by Hans Heymann and Col. Volney Warner on the subject of leverage. It reviewed the rationale for leverage and considered a whole array of possible techniques:

... In anticipating the US/GVN relationship in the post-election period, it is generally agreed that the US should find ways to exercise leverage with the Vietnamese government which are more commensurate in degree with the importance of the US effort to South Vietnam's survival and which reflect the climate of growing restiveness in the US... In its impatience to get results and make progress, the US has increasingly resorted to unilateral programs and action with inadequate consultation with the Vietnamese. On the other hand, the indiscriminate and careless exercise of US leverage could undermine the self-respect of the Vietnamese government in its own eyes and in the eyes of the South Vietnamese people.

.. To be effective, US leverage must be exercised in the context of a relationship of mutual respect and confidence, and in ways

TOP SECRET - Sensitive

commensurate with the objective sought. It must also be backed by credible sanctions.

.. The various tools of leverage available to us are described below. It is not proposed that all of these tools be used at any given time or that some of them be used at all. However, they represent a selection of arrows that might be placed in the US Mission quiver for use as the Mission Council deems appropriate. It will be particularly important to construct a credible and effective system of US leverage for use as necessary and appropriate in connection with the list of priority program objectives which we shall be seeking to achieve with the newly elected government in the immediate post-election period.

Tools of Leverage

.. A wide range of possible techniques and forms of influence is available at each level of the American presence in Vietnam. A few of these leverage devices are now in use, mostly at the initiative of individual Americans on the spot, but not as part of an organized framework of influence. Other devices have been instituted in the past, only to be subsequently abandoned because of fear of their misuse, actual misuse, or inadequate understanding of their value.

In the following list we array a range of possible instruments of influence that the US might employ, with some indication of their applicability.

- A. Rapport...
- B. Joint Planning and Evaluation...
- C. Joint Inspection and Audit...
- D. Joint Secretariats...

E. The JCRR approach: Establishing a joint, autonomous, dually-staffed, foundation-like organization headed by a board of commissioners appointed by the two heads of state, to administer all forms of non-military AID...

- F. Contingency Funds and Special Resources...
- G. Control Over Expenditure of Counterpart Piasters...
- H. Retention of Resources in US Channels...

TOP SECRET - Sensitive

I. Joint Personnel Management -- to institute career incentive, selection, and removal policies...

J. Joint Command...

K. Policy-level Monitoring System -- to monitor the exercise of authority of key officials of the GVN...

L. Withholding US Support -- at levels below Saigon, the authority of US senior advisors to cut off or withdraw US civil and military support from Vietnamese activities or operations within their area of responsibility would constitute powerful leverage...

At the Saigon level, a range of extremely tough options is available, encompassing selective withdrawal of US support for Vietnam persuading the GVN that these are in fact available requires the will to use them and the political ability to follow through if our hand is called. Options would include halting further troop deployments, standing down US unit operations, suspending CIP and MAP assistance, and so forth. 104/

Ambassador Komer replied on September 19. He recalled his deep interest in this subject and discussed at length both present and potential techniques. His views seemed considerably mitigated by his several months in Saigon, for "rapport" and "persuasion with implied pressure" headed the list of what was presently being done. He concluded by saying, "All of the above forms of leverage, and yet others, could be useful at the proper time and in an appropriate way. But they must be applied with discretion, and always in such manner as to keep the GVN foremost in the picture presented to its own people and the world at large... The exercise of leverage in a personal manner and hidden from the public view is likely to be most effective, while of the more operational means establishment of combined organization under a JCRR-type concept, to include joint control of resources, would be most desirable. In sum, we're gradually applying more leverage in Pacification, but wish to do so in ways that least risk creating more trouble than constructive results." 105/

18. Postlogue

New plans and new hopes marked the immediate post-election period. The story of US-GVN relations continues, but this narrative must end. In conclusion it seems appropriate to quote from the MACCORDS report covering Bien Hoa province for the period ending December 31, 1967.

1. Status for the RD Plan:

The GVN in Bien Hoa Province has not met with any measure of success in furthering the pacification effort during 1967.

TOP SECRET - Sensitive

Those areas that do represent advances (such as road openings or repairs or construction, breaking up of main line VC units, etc.) have all been the result of unilateral US actions. It was perhaps naively thought that these US accomplishments would stand as an inspiring example to the GVN and would prompt them to not only continue their efforts but, further, to expand and intensify the fight. However, during 1967 in Bien Hoa Province, this has not been the case. The GVN at all levels has grown weaker, become more corrupt and, today, displays even less vitality and will than it did one year ago...

Advisory Leverage: This subject has been an extremely sensitive and controversial issue in both GVN and US circles. However, as painful as it must be to address, the harsh truth is that given a showdown situation or an intolerable divergence between GVN and US methods, the US advisor will lose. CORDS, Bien Hoa has gone to extraordinary lengths in reporting on both corrupt and incompetent officials and practices. The reason for these efforts has been to illustrate clearly to higher US authorities, the enormity of the problems facing the advisor on the province/District level. CORDS Bien Hoa, as perhaps all other echelons of US advisors, is ultimately powerless to rectify or even significantly alter the GVN intentions and performance. The Vietnamese in the street is firmly convinced that the US totally dominates the GVN and dictates exactly what course shall be followed. However, the bitter and tragic truth is that the US has been kept at such a distance from GVN circles and power that in joint councils or plans our views may be heard, some portions of our logic may be endorsed but with confrontations or matters that represent any truly revolutionary departure from existing GVN practices etc, we are light weights and presently do not possess the leverage or power to carry the day.

ARVN Performance: There are presently two ARVN battalions (3/43 and 2/48) who are directly assigned to support RD in Bien Hoa. With the exception of the 1st Bn, 48th Regt which served in the Phu Hoi Campaign area earlier in the year, ARVN performance has been less than satisfactory. The units have demonstrated the same age-old ills that have collectively led to our present commitment of US forces...

GVN Officials Interests: The primary interest of GVN officials in Bien Hoa Province is money. The lucrative US presence with all the various service trades that cater to the soldier, have created a virtual gold mine of wealth which is directly or indirectly syphoned off and pocketed by the officials. Thus, revolutionary development with all the ultimate implications of broadening the governing base of this society, is viewed

TOP SECRET - Sensitive

as some sort of necessary device that needs to be propped up and nominally catered to by the GVN in order to keep US and Free World's interest and faith intact. However, any serious or meaningful gesture in support of a program which ultimately is designed to displace the powers-to-be (or at least force them to become accountable or share in the power) is not forthcoming. Infrastructure is not attacked even though the target is known; budgets are not spent although the funds are available; GVN officials steadfastly refuse to visit their districts or villages or hamlets although it is there that most immediate problems exist. The list of limp, half-hearted efforts to prosecute the war is endless.

Material Cutoffs and Shortages: In August after several months of negotiation, CORDS, Bien Hoa was forced to cut off further shipment of replenishment stocks into province. The reasons for this action were many but could be reduced to sloppy, shoddy and highly questionable logistical practices and procedures on the part of the GVN. After eleven weeks, the Provincial GVN finally agreed to carry out the reforms and renovations as suggested by CORDS. However, that eleven-week gap in the flow of materials (particularly during a period most noted for its relatively high degree of GVN action) had a significant effect on curbing construction programs and causing even more delays. Then, as soon as this issue was resolved, it was learned that cement and roofing weren't in supply and rationed quotas for the remainder of the year further compounded the damage caused by earlier material shortages.

To compensate, in part, for these factors, CORDS has had to increasingly rely on the resources, skills and capabilities of resident US military units. These units have, without exception, effectively filled the gaps and their efforts have succeeded in reducing the critical road situation that has been worsening throughout the years. Their action in many other areas has been highly commendable and CORDS Bien Hoa (as well as the GVN itself) owes a great deal to these units and their commanders who have unselfishly devoted themselves to furthering pacification. However, for all their efforts, for all the resources either expended or on hand, the disturbing truth in Bien Hoa is that it still remains for the government, with forceful and meaningful direction from above, to begin to assume the responsibility for prosecuting this war and the pacification effort. Thus far, the GVN has not done this and it is the considered opinion of CORDS Bien Hoa that unless major revisions are brought about in the factors raised here, there is only to be a continuation of the same ordeal with the accompanying frustrations, inaction, corruption and incompetence. A continuation of this does not

TOP SECRET - Sensitive

connotate stability or even maintenance of the status quo; it spells regression and an ever widening gap of distrust, distaste and disillusionment between the people and the GVN. 106/

TOP SECRET - Sensitive

*omitted in G
omitted in PP*

IV.C.9. - Chapter I

FOOTNOTES

1. Vietnam Task Force Study, US-GVN Relations 1964-First Half 1965
2. COMUSMACV MAC J 0020055 to CINCPAC DTG 131515Z June
3. Saigon to State 4008 DTG 150959Z
4. SecDef to AmEmbassy Saigon, Info MACV 003906 DTG 151547Z June 65
5. State to Saigon 3057, June 26, 1965
6. Saigon to State 4422, June 29, 1965
7. Saigon to State 4311 and 4312 June 21, 4422 June 29, 4439 June 30, 9 July 1, and 58 July 6, State to Saigon 3079, June 30, 1965
8. Saigon to State 4311 and 4312, June 21, 1965
9. Vincent Puritano memo to James P. Grant, "Joint Provincial Sign-Off Authority," with attachment, 25 Sept 65. Both officials are in Vietnam Section of AID.
10. SD PM July 1, 1965, p. 5, Sec. 8B; SD PM July 20, 1965, para. 8B.
11. SD PM July 20, 1965, para. 3
12. Saigon to State 14, July 2, 1965
13. Saigon to State Airgram A-66, July 27
14. Saigon to State 266, July 25.
15. Saigon to State 290, July 28; Saigon to State 364, August 3, 1965
16. COMUSMACV to CINCPAC DTG 080020Z July
17. Saigon to State 266, July 25, 1965
18. Saigon to State 595, August 4, 1965
19. Saigon to State 374, August 4, and 489, August 21, 1965
20. State to Saigon 131, July 13 and 427, August 14, 1965
21. Saigon to State 626, August 26, 1965

TOP SECRET - Sensitive

TOP SECRET - Sensitive

IV.C.9. - Chapter I

FOOTNOTES

22. Weekly CIA Reports, The Situation in SVN, August 11, 18; September 1, 15; October 6
23. Saigon to State 671, August 28
24. Saigon to State 888, September 14. See also Saigon to State 991, September 22
25. Saigon to State 1100, September 30
26. Saigon to State 716, September 2
27. Saigon to State 58, July 6 and 799, September 8. See also the references in notes 49 and 50, Chapter II, below
28. New York Times stories October 5, 7, and 8, and November 26, 1965
Mission Council action memorandum No. 15, October 7, 1965
29. COMUSMACV Command History 1965, p. 240
30. Vincent Puritano memorandum, Op. cit., p. 5
31. State to Saigon 1039, October 16, 1965. Saigon to State 1324, October 18.
32. COMUSMACV Command History 1965, p. 241
33. Ibid.
34. State to Saigon 1855, December 31, 1965; Saigon to State 2588, January 19, and 2602, January 20
35. State to Saigon 1866, January 1
36. Saigon to State 2307, December 29, 1965, and 2592, January 19, 1966
37. Saigon to State 2588, January 19
38. State to Saigon 2252, February 4. See also, "Vietnam: Honolulu Conference - Summary of Goals and Status of Activity," March 30, 1966, Tab 25 of Conference Book 50C, pp. 12-15
39. Saigon to State 2985, February 16, 1966; Saigon to State 3086, February 24
40. Kahin and Lewis, The U.S. in Vietnam, p. 242-244; Saigon to State 2985, February 16, and 3054, February 21

TOP SECRET - Sensitive

TOP SECRET - Sensitive

IV.C.9. - Chapter II

FOOTNOTES

1. Kahin and Lewis, The US in Vietnam, p. 244 and passim.
2. Kahin and Lewis, Op. cit., p. 245; Saigon to State 3260 and 3265, March 9
3. Saigon to State 3286, March 10, and 3288, March 11; CAS to CIA 121433Z March
4. Kahin and Lewis, Op. cit., p. 245; Saigon 3333, March 14, and 3381, March 17
5. State to Saigon 2764, March 18; Saigon to State 3419, March 19, and 3417, March 20
6. Kahin and Lewis, Op. cit., pp. 94, 97
7. Saigon to State 3463, March 23
8. Saigon to State 3577, March 29
9. Saigon to State 3605, March 30; State to Saigon 2884, March 30
10. Saigon to State 3609 and 3614, March 31
11. Kahin and Lewis, Op. cit., p. 354; Saigon to State 3523, March 26 and 3609, March 31
12. Kahin and Lewis, Op. cit., p. 255; MACV Command History 1966, p. 824. MACV to CINCPAC DTG 051125Z April; Saigon to State 2986, April 5. See also Saigon to State 3577, March 29; 3549 and 3605, March 30 and 3614, March 31; State to Saigon 2884 and 2893, March 30
13. State to Saigon 3001 and 3003, April 6-7; Saigon to State 3791, April 7; State to Saigon 3035, April 9; Saigon to State 3817, April 8
14. MACV Command History 1966, p. 324; Kahin and Lewis, Op. cit., p. 256
15. Saigon to State 4160, April 23, 1966
16. Kahin and Lewis, Op. cit., p. 256; Saigon to State 4368, May 4 and 4605, May 15
17. State to Saigon 3448, May 15, 1966
18. State to Saigon 3448, 3449, 3450 and 3451, May 15
19. Saigon to State 4627 and 4635, May 16

TOP SECRET - Sensitive

TOP SECRET - Sensitive

IV.C.9. - Chapter II

FOOTNOTES

20. Saigon to State 4597, 4602, 4605, and 4613, May 15; 4636 and 4651, May 16, and 4694, May 17; State to Saigon 3453, 3455, and 3470, May 16.
21. Saigon to State 4688, May 18 and 4784, May 20; State to Saigon 3524, May 18; 3536, May 19, and 3545, May 20 and 3567, May 21
22. State to Saigon 3575, May 21, 1966
23. Saigon to State 4760, May 19, 4896, May 23, 4959, May 25, and 5178, June 1; Kahin and Lewis, Op. cit., pp. 256-57
24. Saigon to State 4837, May 21, 4849 and 4878, May 23, 4943 and 4963, May 25, 4966, May 26, 5037, May 27, 5073, May 28, 5178, June 1, and 1947, July 7, 1966; Kahin and Lewis, Ibid.
25. State to Saigon 3680, Ma 28, 1966
26. State to Saigon 3626, May 24, 1966
27. Saigon to State 5163 and 5178, June 1
28. Kahin and Lewis, Op. cit., p. 257
29. Ibid.
30. Saigon to State 5165, June 1, 5364, June 7, 5603, June 17, 5741, June 24, 1694, July 29 and 2564, August 3. State to Saigon 3792, June 8. Kahin and Lewis, Op. Cit., pp. 257-59
31. State to Saigon 19473, August 1
32. NSAM 280, February 14, 1964; NSAM 343, March 28, 1966
33. "Vietnam: Honolulu Conference-Summary of Goals and Status of Activity," March 30, 1966, Tab 25 of Conference Book 50C
34. Saigon to State 5121, May 30, 1966
35. Saigon to State 5729, June 24, 1966
36. Saigon to State 526, July 8, 1966
37. COMUSMACV Command History 1966, p. 510. CINCUSARPAC DTG 240312Z May
38. JCS 1824 DTG 122138Z May; COMUSMACV 18244 DTG 271243Z May

TOP SECRET - Sensitive

IV.C.9. - Chapter II

FOOTNOTES

39. Saigon to State 3814, April 8, 1966
40. Saigon to State 4200, April 26
41. Saigon to State 4435, May 7 and 5546, June 15
42. COMUSMACV Command History 1966, p. 106
43. COMUSMACV Command History 1966, p. 461
44. COMUSMACV Command History 1966, p. 461ff. Staff Study (S) MACOC 5, April 19, "Staff Study on Effectiveness of 5th and 25th ARVN Divisions; DF ACoS J3, May 4
45. COMUSMACV Command History 1966, p. 461
46. Ibid. p. 748
47. Ibid. p. 460
48. Saigon to State 3821, April 8; State to Saigon 3205, April 26 and 3243, April 28; Saigon to State 5031, May 27; Saigon to State 2564, August 3
49. Saigon to AID 8414, June 1, 1966
50. Saigon to State 5358 and 5361, June 7. See also: State to Saigon 3731 and 3735, June 2. Saigon to State 5247 and 5248, June 3. State to Saigon 3752 and 3756, June 4. Saigon to State 5287, June 5. State to Saigon 3766, June 6. Saigon to State 5357, June 7. State to Saigon 3808, June 8
51. Saigon to State 526, July 8 and Saigon to State 2564, August 3, 1966; further traffic on dollar holdings below.
52. Memorandum from DASD (Economics) to ASD(ISA) with attachment May 7, 1966
53. Saigon to State 3821, April 8
54. Saigon to State 5433, June 10. State to Saigon 3860, June 11. Saigon to State 5525, June 14. Saigon to State 5664, June 21. State to Saigon 3987, June 21, Saigon to State 5739, June 24
55. Saigon to State 278, July 5, 1966. Note that the expression "commodities consigned to CPA" excludes CIP; see Saigon to State 526, July 8

TOP SECRET - Sensitive

TOP SECRET - Sensitive

IV.C.9. - Chapter II

FOOTNOTES

56. State to Saigon 3787, June 8; Saigon to State 5741, June 24, 2564, August 3, 3754, August 16, 3842, August 18, and 4107, August 22; State to Saigon 32309, August 19 and 34662, August 24
57. Saigon to State 4538, August 26, 5969, September 14, 6366, September 19 and 9678, October 29
58. State to Saigon 14754, July 7; Saigon to State 1947, July 26, 3129, August 10, and 5970, September 14; Kahin and Lewis, Op. Cit., pp. 258-262.
59. Saigon to State 5228, September 4; State to Saigon 52877, September 23
60. COMUSMACV Command History 1966, p. 253
61. State to Saigon 14857, July 25
62. Saigon to State 3197, August 11, 1966
63. State to Saigon 14857, July 25, Saigon to State 2134, July 28; State to Saigon 20383, August 3; Saigon to State 3197, August 11 and 5499, September 8

TOP SECRET - Sensitive

IV.C.9. - Chapter III

FOOTNOTES

1. Saigon to State 7616, October 4, 7732 and 7752, October 5, 6043, October 7, 8681, October 17, 8749, October 18, 8833, October 19, and 8839, October 20, State to Saigon 66781, October 14 and 68339, October 18
2. State to Saigon 66946, October 15, 1966
3. State to Saigon 67708, October 17, 1966
4. Communique and Declarations signed at the close of the Manila Conference, October 26, 1966
5. Saigon to State 7630, October 4 and 8958, October 20
6. Saigon to State 10312, November 7; 10597, November 11 and 11958, November 29
7. State to Saigon 58280, October 2
8. State to Saigon 49294, September 16, State to Saigon 49399, September 17. Saigon to State 6997, September 27. State to Saigon 58092, September 30. State to Saigon 61330, October 6. State to Saigon 58280, October 2.
9. Saigon to State 9963, November 3
10. Saigon to State 9068, October 21 and 9963, November 3; State to Saigon 9963, November 9
11. Saigon to State 10298, November 7, 1966
12. Saigon to State 10298, November 7; State to Saigon 91757 and 92567, November 26; see also Saigon to State 7332, October 1, COMUSMACV to CINCPAC DTG 051330Z, October and 231303Z, November, and JCS to CINCPAC 1445, November 15, 1966
13. Saigon to State 14009, December 22, 1966
14. Saigon to State 12733, December 7, 12908 and 12950, December 9, 13046, December 10, 14009 and 13023, December 22, 14112, December 23 and 14230, December 26
15. Saigon to State 7815, October 6 and 8161, October 11
16. State to Saigon 82634, November 9 and 97742, December 6; Saigon to State 9068, October 21, 9842, November 19, 11720, November 25, 12229, December 1, 12591, December 6 and 14594, December 30, 1966

TOP SECRET - Sensitive

IV.C.9. - Chapter III

FOOTNOTES

17. Saigon to State 10597 November 11, 1966.
18. Saigon to State 11249 November 18 and 11431 November 21; State to Saigon 93314 November 28.
19. State to Saigon 90587 November 23 and 91325 November 25; Saigon to State 12321 December 2 and 12434 December 3.
20. Saigon to State 12321 December 2, 1966.
21. State to Saigon 75412 October 29.
22. State to Saigon 75412 October 29.
23. Saigon to State 10597 November 11, 1966.
24. Saigon to State 11458 November 22, 1966.
25. State to Saigon 93301 November 29, 1966.
26. State to Saigon 95109 December 1, 1966.
27. Saigon to State 13326 December 14, 1966.
28. COMUSMACV Command History 1966, p. 256.
29. Mission Council Action Memo #140 November 24, 1966.
30. COMUSMACV Command History 1966, pp. 507 passim.
31. Saigon to State 8970 October 20.
32. State to Saigon 104992 December 19.
33. State to Saigon 83699 November 12, 1966.
34. COMUSMACV msg 50331 of November 21, 1966.
35. COMUSMACV Command History 1966, pp. 471-472.
36. MACV Commander's Conference, November 20.
37. COMUSMACV to CINCPAC 080245Z December 1966.
38. State to Saigon 117709 January 12, 1967. See also NIE 53-66 "Problems of Political Development in SVN Over the Next Year or So," December 15, 1966.

TOP SECRET - Sensitive

39. Saigon to State 16463, January 25.
40. Saigon to State 18354 February 18.
41. State to Saigon 128939 January 26.
42. State to Saigon 111340 January 2; Saigon to State 14924 January 5, 1967.
43. Saigon to State 15092 January 7, 15112 January 8, 15153 January 9, and 15286 January 11; State to Saigon 129695 February 2.
44. State to Saigon 123223 January 21, 1967.
45. Saigon to State 16289 January 23, 1967.
46. Saigon to State 18646, February 22.
47. Saigon to State 18647, February 22 and 18814 February 24.
48. Saigon to State 19347 and 19348 March 2.
49. State to Saigon 148941 March 3.
50. State to Saigon 157064 March 17.
51. Saigon to State 20705 March 18.
52. Saigon to State 14725 January 2, 1967.
53. Saigon to State 20516 March 16.
54. Saigon to State 16037 January 20, 1967.
55. Saigon to State 15569 January 13, 1967.
56. SecDef to AmEmb Saigon 4607 of 252255Z Jan 67. State to Saigon 130474 February 1.
57. Saigon to State 17376 February 6, 1967.
58. Saigon to State 17155 February 3, 1967.
59. CINCPAC to JCS 122053Z Feb 67.
60. State to Saigon 167083 March 31, 1967.
61. State to Saigon 126441 January 29.
62. Saigon to State 15006 January 6.
63. Saigon to State 16441 January 25.
64. State to Saigon 139934 February 18.

TOP SECRET - Sensitive

65. State to Saigon 140897 February 21.
66. Saigon to State 19902 March 9, 20053 March 10, 20201 March 13.
State to Saigon 153512 March 11.
67. Saigon to State 15783 January 1, 1967.
68. State to Saigon 140250 February 19, 1967. Saigon to State
18303 February 18.
69. COMUSMACV 04140 to CINCPAC February 2, 1967.
70. CINCPAC to OSD 140348Z Feb 67.
71. State Circular to Saigon 158034 March 10.
72. State to Saigon 125377 January 25, 1967.
73. COMUSMACV to CINCPAC 090956Z Jan 67.
74. Saigon to State 15080 January 8, 1967.
75. Saigon to State 16547 January 6, 20236 March 13.
76. Saigon to State 14923 January 5, 15100 January 7, 16761 January 28,
18722 February 23, 20060 March 10, and State to Saigon 157067
March 17, 1967.
77. Joint Communique, Guam meetings March 21, 1967.
78. State to Saigon 213380 June 22, 1967.
79. Saigon to State 5566 September 11.
80. Saigon to State 23281 April 17, 1967.
81. Saigon to State 22716 April 12, 23569 April 20, and State to
Saigon 175060 April 13.
82. Saigon to State 23376 April 18.
83. Saigon to State 28418 June 20, 1967.
84. Saigon to State 26276 May 20.
85. COMUSMACV to CINCPAC 020744 May 1967.
86. COMUSMACV to SecDef 22115Z May 67.

TOP SECRET - Sensitive

TOP SECRET - Sensitive

87. COMUSMACV to CINCPAC 24130ZJan67.
88. COMUSMACV to CINCPAC MACJ 341 #15064, May 7.
89. OSD(SA) Memo "SecDef VN Trip Briefings (U)", July 25, pp. 207-209.
90. State to Saigon 202388 May 25, 1967.
91. COMUSMACV to CINCPAC 281245ZMay67; JCS to CINCPAC 9467 of 032123Z July 1967.
92. Saigon to State 5940 September 14, 1967.
93. Saigon to State 23389 April 18, 1967.
94. Saigon to State 23748 April 22.
95. Saigon to State 25554 May 12.
96. State to Saigon 210584 June 13, 1967.
97. Saigon to State 28090 June 14; 28170 June 15; 28218 June 16, 1967.
98. Saigon to State 28409 June 20; 80 July 1, 1967.
99. Saigon to State 29258 June 30, 1967.
100. Saigon to State 1381 July 19; 1475 July 20.
101. State to Saigon 30023, August 31, 1967.
102. AmEmb Saigon to SecDef, Blueprint for Viet-Nam, August 26, 1967.
103. Saigon to State 4958 September 5, 1967.
104. Saigon to State 7113 September 19, 1967.
105. State to Saigon 30023 August 31, 1967.
106. Province Report for Bien Hoa Province (RCS-MACCORDS-01-67) Period Ending 31 December 1967.