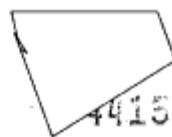


[Click here to send this document to your printer](#)

NIE 63-56 PROBABLE DEVELOPMENTS IN NORTH AND SOUTH VIETNAM THROUGH MID-1957

Title:	NIE 63-56 PROBABLE DEVELOPMENTS IN NORTH AND SOUTH VIETNAM THROUGH MID-1957
Abstract:	
Pages:	0017
Pub Date:	7/17/1956
Release Date:	1/18/2005
Keywords:	NORTH VIETNAM SOUTH VIETNAM CAMBODIA LAOS US COURSES OF ACTION
Case Number:	DS-2004-00003
Copyright:	0
Release Decision:	RIPPUB
Classification:	U

APPROVED FOR RELEASE
DATE: JAN 2005



NIE 63-56
17 July 1956

(b) (3)

~~SECRET~~

NATIONAL INTELLIGENCE ESTIMATE NUMBER 63-56

(Supersedes NIE 63.1-3-55 and NIE 63.1-55)

PROBABLE DEVELOPMENTS IN NORTH AND SOUTH VIETNAM THROUGH MID-1957

Submitted by the

DIRECTOR OF CENTRAL INTELLIGENCE

The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff.

Concurred in by the

INTELLIGENCE ADVISORY COMMITTEE

on 17 July 1956. Concurring were the Special Assistant, Intelligence, Department of State; the Assistant Chief of Staff, Intelligence, Department of the Army; the Director of Naval Intelligence; the Director of Intelligence, USAF; and the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.



COPY NO. 257
ASSISTANT DIRECTOR ONE

~~SECRET~~

~~SECRET~~

TABLE OF CONTENTS

	Paragraphs
CONCLUSIONS	1-4
DISCUSSION	
I. INTRODUCTION	5-6
II. NORTH VIETNAM — CURRENT SITUATION AND	
TRENDS	7-34
Internal Political Situation	7-11
Economic Policies and Courses of Action	12-19
DRV Military Strength	20-23
DRV External Relations and Policies	24-34
Relations with the Bloc	24-28
Policies Toward South Vietnam	29-30
Policies Toward Laos and Cambodia	31-32
Policies Toward Other Countries	33-34
III. SOUTH VIETNAM — CURRENT SITUATION AND	
TRENDS	35-63
Political	35-39
Economic	40-46
Military	47-51
Internal Security	52-56
Foreign Relations	57-63
IV. THE OUTLOOK IN VIETNAM 64-72	
Probable Communist Courses of Action Toward	
South Vietnam	64-68
Trends in South Vietnam	69-72

~~SECRET~~

~~SECRET~~

PROBABLE DEVELOPMENTS IN NORTH AND SOUTH VIETNAM THROUGH MID-1957

THE PROBLEM

To analyze the current political, economic, and military situation in North and South Vietnam and to estimate probable developments through mid-1957.

CONCLUSIONS

1. We believe that the Communist "Democratic Republic of Vietnam" (DRV) will not attempt an open invasion of South Vietnam or a large scale guerrilla warfare effort during the period of this estimate because of the danger of US or possibly SEATO counteraction and because such action would prejudice Bloc emphasis on peaceful coexistence elsewhere. The Communist regime will almost certainly remain in firm political control throughout the period of this estimate, despite some passive resistance and serious economic difficulties. It will require continued large scale Bloc aid to make even limited progress toward developing a self-supporting economy. The DRV army will retain the capability of defeating the total forces of South Vietnam, Laos, and Cambodia. (*Paras. 7-11, 13-16, 18-21, 64-68*)
2. In South Vietnam, the trend toward political stability and popular confidence in the government will probably continue, barring a DRV invasion, large scale guerrilla action, or the death of Diem. Nevertheless, such contingent developments as intensified Bloc support for DRV objectives or reduction in Diem's international support could stimulate greater Communist subversive pressure, weaken the South Vietnam government's confidence, cause some loss of its public support, and revive opposition efforts for reconciliation with the north. (*Paras. 35-39, 69-72*)
3. Progress toward resolving basic economic problems will probably continue slow, but economic conditions in South Vietnam are not likely to have serious adverse political effects during the next year, as rice production, rubber exports, and large scale US aid provide reasonable living standards. (*Paras. 40-46*)
4. All significant sect resistance in South Vietnam has been eliminated, but some 8,000-10,000 armed Communists and a Communist political network scattered through the villages continue to pose a serious internal security problem. The effectiveness of the South Vietnam army will probably improve gradually as more units are released from security missions for training, but by mid-1957 it will still be unable to contain a DRV attack for a prolonged period. (*Paras. 47-56*)

~~SECRET~~

1

~~SECRET~~

2

DISCUSSION

I. INTRODUCTION

5. Under the terms of the 1954 Geneva Accords on Indochina, the area of Vietnam north of the 17th parallel was placed under the administration of the Vietnamese Communists. The French assumed responsibility for implementation of the Armistice provisions in the area south of the 17th parallel, but neither the French nor the Diem government has acknowledged responsibility for implementing the political settlement envisaged in the Final Declaration of the conference.

6. The UK and the USSR, as co-chairmen of the Geneva conference, met in London in April and May 1956 and reaffirmed support for the political settlement foreseen at Geneva but implicitly approved postponement of its implementation, including the nationwide elections. The co-chairman called upon all parties to preserve the status quo and requested the International Supervisory and Control Commission (ICC) to continue supervising the Armistice. Thus no steps have been taken to bring about unification or a political settlement in Vietnam, and the partitioning of Vietnam has been tacitly accepted by the Geneva conference powers for an indefinite period of time. In the meantime, the Communist regime in the north and the Diem government in the south have been developing their own institutions and preparing for an extended period of struggle for control of Vietnam.

II. NORTH VIETNAM — CURRENT SITUATION AND TRENDS

7. The Communist Party of Vietnam (commonly called the Viet Minh) and its governmental apparatus, the "Democratic Republic of Vietnam" (DRV) continue to exercise firm and effective control over the estimated 13 million inhabitants of North Vietnam. Although critically lacking in technically trained personnel, the Communist regime possesses a large number of experienced po-

litical workers and has made considerable progress in developing an effective administrative machine. It has strengthened its control despite severe food shortages, continued passive resistance to its internal policies, and the gradual reduction of its prospects for early domination of all Vietnam.

8. Ho Chi Minh continues to occupy a pre-eminent position among Vietnamese Communist leaders, despite some de-emphasis of his public role. His prestige as a nationalist leader is still a significant factor in the attitude of many people in South Vietnam and Southeast Asia toward the Vietnamese Communist regime. Power relationships at the level below Ho are not clear, but party Secretary Truong Chinh, Premier and Foreign Minister Pham Van Dong, and army commander Vo Nguyen Giap appear to share top level responsibilities. We have no evidence of policy or personal differences among these three men or of the existence of "pro-Chinese" and "pro-Soviet" factions in the party.

9. The regime's primary concern in the past year has been to develop more effective controls over the people and the economy and to deal with such immediate problems as rehabilitation, malnutrition, widespread disease, famine, tightening of the party apparatus, and the development of the armed forces. Although violence and intimidation have been employed selectively, the Communists have so far refrained from the publicized, widespread terror employed in Communist China during the consolidation period in 1951-1952. Strenuous efforts are still being made to rally popular support behind front groups on the basis of nationalist and unification slogans. The most important of these is The Fatherland Front which is designed not only to mobilize support in the north for immediate reconstruction tasks but also to attract support in South Vietnam for Communist efforts to unify the country.

~~SECRET~~

~~SECRET~~

3

10. The Catholic population of approximately 750,000 appears to be the main center of passive resistance to Communist indoctrination and DRV control. The Communists appear to have recognized the special nature of the Catholic problem and, probably with an eye both to reducing opposition and impressing the evacuees in the south, have moved slowly to restrict church activities. At the same time, they are attempting to weaken the hold of the clergy over the communicants by various means including visits of "puppet" priests from Eastern Europe. To date the Vietnamese Catholic hierarchy appears to have been fairly successful in maintaining its position among the Catholic population.

11. The substantial ethnic minorities, who live outside the river deltas, have an ingrained dislike for all Vietnamese and there have been some instances of armed opposition by the tribal groups of north and northwest Tonkin. To integrate these minorities politically and to lessen their opposition to Communist leadership, the DRV has established "autonomous administrative areas" nominally controlled by tribal dignitaries loyal to the Communists. In any event, Communist military and security forces are capable of eliminating any active resistance in the north.

Economic Policies and Courses of Action

12. The regime is moving gradually to extend its control over all aspects of the economy, but it has not yet attempted detailed over-all planning, the nationalization of small productive units and domestic trade, or the collectivization of agriculture. At present, the regime is attempting to deal with immediate problems on the following priority: (a) increasing agricultural production; (b) restoring the transportation network; and (c) rehabilitating export industries, e. g., coal, cement, phosphates, and textile and other light industries. Thus far the regime has not begun to stress heavy industrial development and is concentrating a major portion of its industrial production on consumer goods.

13. The regime's major economic problem is to meet the minimum consumption needs of the population while developing a self-sup-

porting economy. Prior to 1954 the annual rice deficit of North Vietnam averaged about 200,000 metric tons. As a result of wartime damage to irrigation facilities and an unprecedented series of floods, droughts, and insect scourges, the rice deficit in each of the past two years has amounted to at least 500,000 metric tons. With shipments from South Vietnam cut to a trickle since 1954, the DRV appealed to the Bloc for relief. However, imports through April 1956, consisting of token shipments from Communist China and some 200,000 tons of Burmese rice purchased by the USSR, have fallen far short of minimum requirements. In December 1955 the DRV announced that the per capita food consumption in that year had dropped at times to as low as 500 calories per day.

14. There will probably be some improvement in the food situation in 1956-1957. The USSR has agreed to accept up to 400,000 tons of Burmese rice each year through 1959. It is likely that the Burmese will actually ship a high percentage of this figure and that the DRV will receive a major share of this rice. Although the spring crop in 1956 will probably again fall below normal because of continued adverse weather, the extensive efforts of the regime to mobilize all segments of the population for irrigation repair, reclamation of abandoned land, cultivation of new land, and planting of subsidiary crops should lead to a gradual increase in domestic output.

15. However, North Vietnam will not achieve self-sufficiency in rice in the next few years even with optimum weather conditions. Planned investment to increase the supply of fertilizers, pumps, improved seeds, and agricultural implements appears insufficient to achieve a substantial increase in output in the near future. Moreover, the current program for redistribution of land will probably depress production.

16. Rehabilitation of modern industries has gone slowly due to a lack of raw materials, technicians, and equipment. Coal production in 1955 is estimated to have been about 700,000 tons compared to 900,000 tons under the French in 1953 and the pre-World War II peak of 2,600,000 tons. The rate may reach

~~SECRET~~

~~SECRET~~

4

800,000 to 1,000,000 tons in 1956, permitting an export of 300,000-500,000 tons. By the end of 1956 cement production may reach its former annual rate of 300,000 tons. The large textile plant at Nam Dinh returned to limited production in December 1955 but even when operating at full capacity it will provide only about half of North Vietnam's requirements and it is dependent on imported cotton.

17. With Chinese Communist technical and manpower assistance, rapid progress has been made in restoring transportation and communication facilities. The rail link from Hanoi to the Chinese border at Nam Quan has been restored and the Haiphong-Kunming line will probably be fully restored this year. This construction will link southwest China with sea transport at Haiphong and the main Chinese rail system at Nam Quan. The line from Hanoi to the 17th parallel is also being rehabilitated and it is possible that service south to Vinh will be established by the end of the year. With Chinese assistance, the DRV has also made rapid progress in rehabilitating North Vietnam's highway system. A bridge building program for 1956 is aimed at eliminating most of the ferries on primary roads. Rehabilitation of the Hanoi-Lai Chau route and of roads south from Hanoi toward the 17th parallel will facilitate the movement of troops and supplies to any point along the borders of Laos and South Vietnam. Soviet assistance is making possible the improvement of port facilities at Haiphong which will further expedite the distribution of Bloc military and economic supplies.

18. The chronic deficit in the balance of payments position of the North Vietnam area has been deepened by the failure to restore agricultural and industrial production and by the abnormal requirements for foreign goods and technical aid. The foreign exchange position has also been worsened by the break in complementary trade relations with the south. A measure of the deficit and of the critical economic situation is suggested by the magnitude of Bloc grants to the DRV. In July 1955, Communist China granted the sum of 800,000,000 yuan (about \$330,000,000 at official rates) and the USSR promised 400,000,000 rubles (\$100,000,000 at official rates). Smaller

grants have been extended by several of the European Satellites. A substantial portion of the aid received has been in the form of consumer goods.

19. We believe that during the period of this estimate the DRV will continue to concentrate, with moderate success, on efforts to increase agricultural, mineral, and light industry production. The DRV has the resources to increase exports and to support a modest industrial development. However, at least for several years, it will require substantial Bloc assistance to support even a minimum standard of living and there appears little prospect for substantial forced saving to support rapid industrialization in the near future.

DRV Military Strength

20. The "Vietnam People's Army" (VPA) now has a total strength of about 266,000 men organized in 16 infantry divisions, 2 artillery divisions, 1 AAA groupment, 10 separate infantry regiments, and 5 border and coastal security regiments. As the VPA continues its evolution toward a modern force, several more divisions may be organized using existing separate regiments. Although further substantial increases in the numerical strength of the army appear unlikely, a ready pool of semitrained manpower exists among the 117,000 men now in regional and popular troop units. The recent announcement by the DRV of a troop reduction probably reflects the release of unfit personnel since the Armistice.

21. More extensive training was probably made possible by reduced commitments to internal security missions and reconstruction projects, and multidivisional maneuvers were reported in late 1955. We believe that about half of the major combat units are combat-ready and the remainder probably will reach that status during 1956. Even at its present level of training, the VPA is capable of defeating the total military forces of South Vietnam, Cambodia, and Laos.

22. There were no significant changes in the dispositions of VPA units during the past

~~SECRET~~

~~SECRET~~

5

year and the largest concentration remains in the Delta region, approximately 300 miles from the 17th parallel. However, clandestine guerrilla operations, including infiltration of small units, could be conducted against South Vietnam and Laos without major troop movements.

23. The Vietnamese Communists have no combat air capabilities at the present time, but some air training probably is underway in Communist China. It is possible that the DRV will have one or two regiments of piston fighters operational in 1957. There are 26 former French air fields in North Vietnam, five of which could be used with little or no development to support sustained operations by Communist jet fighters, and one of which could probably support sustained jet light bomber operations. The DRV has no separate naval organization and coastal defense depends on small armed craft and ground patrols.

DRV External Relations and Policies

24. *Relations with the Bloc.* We believe that the DRV is firmly committed to the policies of the Sino-Soviet Bloc, even to the extent of subordinating or postponing the pursuit of its local or regional objectives in the interest of over-all Bloc tactics and strategy. The attitude of DRV leadership follows from its Communist world outlook and from the fact that DRV objectives can only be realized with Sino-Soviet Bloc support.

25. Despite its close ties with and dependence on Peiping and Moscow, the DRV on occasion acts in less conformity with the Bloc than the European Satellites. A number of considerations account for this special status. The Vietnamese Communists fought their own fight against French colonialism. The DRV possesses an army and security organization which was developed prior to 1950 independently of Sino-Soviet material assistance. The appearance of relative independence created by some DRV actions may, nevertheless, serve to further Bloc interests elsewhere in Southeast Asia.

26. Over the past year, Bloc economic and diplomatic support may not have met DRV

expectations. Bloc deliveries of rice have been far below levels necessary to prevent widespread debility in North Vietnam. Mikoyan's visit to Hanoi in April 1956, the first by a major Soviet official, was made a great public occasion and DRV propaganda suggested some expectation that new aid or economic agreements might result. No new Soviet-DRV arrangements were announced, however, and in fact Mikoyan departed without issuance of the usual joint communique. The USSR also failed to press DRV demands either for the "strict implementation" of the Geneva Agreements with respect to north-south consultations and elections, or for reconvening the Geneva conference. The Soviet position, as it developed at the April-May Geneva co-chairmen talks, accepts maintenance of the status quo for the time being. Although the Chinese Communists have been more forthright in supporting the stated DRV position, the Soviet Union has shown no disposition to support the DRV's basic objective of securing control of all Vietnam at the risk of jeopardizing Soviet policy objectives in other areas or the Bloc's campaign of emphasizing "friendship" and reducing tensions.

27. The rather aloof position of the USSR, which increases the dependence of the Vietnamese Communists on Communist China, may be disappointing to the DRV. Some element of the traditional Vietnamese distrust of the Chinese probably survives among Vietnamese Communist leaders, despite the bond of Marxism, and the DRV may well wish that it could counter Chinese influence with closer Soviet ties.

28. Substantial differences over policy toward South Vietnam, and possibly Laos, may develop between the DRV and the USSR and Communist China if prospects for an early extension of Communist control to South Vietnam continue to decline. Even in this event, however, and despite the DRV's potential capacity for independent action, we believe that other considerations would prevail to cause the DRV to continue its loyal adherence to the Bloc.

~~SECRET~~

~~SECRET~~

6

29. *Policies Toward South Vietnam.* Lacking full Bloc support for its reunification demands and recognizing that the July 1956 deadline for elections would not be met, the DRV is now adjusting its policies for the longer pull. The regime's public position that the Geneva provisions must be fulfilled and that nationwide elections must be held remains unchanged. However, the DRV is now playing down the demand for early reconvening of the Geneva conference and increasing its demands for direct north-south consultations. The DRV has accepted the position taken by the Soviet Union at the London talks that the ICC and Joint Armistice Commission should continue their functions despite the dissolution of the French High Command. The DRV has also enlarged the scope of its diplomatic activity to enhance its international prestige and position and to secure the broadest possible foreign support for eventual implementation of the Geneva Agreements.

30. At the same time, the DRV has maintained its network of political and paramilitary cadres in the south. It has continued its efforts to penetrate the government of South Vietnam and probably is maintaining contact with non-Communist but anti-Diem Vietnamese, chiefly those now in exile, who favor conciliation with the north. Through use of nationalist themes and front organizations, it is attempting to retain popular following in the south. Ninety-five thousand men were evacuated from the south in the first few months following the Armistice. The DRV probably views this group as a possible instrument for subversive activity in South Vietnam and some may have been retrained, indoctrinated, and perhaps even reinfilitrated.

31. *Policies Toward Laos and Cambodia.* The Communist rebel movement in Laos, the Pathet Lao, is completely dependent on DRV support and assistance to maintain its position in the northern provinces. Although the DRV continues to support the Pathet Lao, it has begun to soften its line toward the Royal Lao government. In place of its earlier criticism of the Lao government, the DRV now praises the Lao government's professed

adherence to the "five principles of coexistence," encourages Laos to adopt a neutral foreign policy and to enter into direct consultations with the Pathet Lao to resolve their differences.

32. DRV policy toward Cambodia encourages neutralism and the establishment of wider contacts between the Cambodian government and the Communist world. The Hanoi radio has virtually eliminated its previously bitter condemnation of the Cambodian government and is now extravagant in its praise of Cambodian foreign policy and its "resistance" to alleged US "plots" to undermine Cambodian independence. Future DRV policies with respect to Laos and Cambodia will probably reflect the guidance of Moscow and Peiping.

33. *Policies Toward Other Countries.* In its relations with other states in Asia, the DRV has attempted to increase support for its position on unification, to further the general Bloc peace campaign, and to obtain diplomatic contacts and recognition. At present, North Vietnam is recognized by all Bloc countries, but no non-Bloc country has extended full diplomatic recognition. India and Indonesia have exchanged consular representatives with both North and South Vietnam and Burma has permitted the DRV to maintain an Information Office in Rangoon. The DRV has taken special pains to woo the Indian delegates to the ICC.

34. The DRV has severely curtailed remaining French cultural activities in North Vietnam and the much publicized commercial arrangements have been too restrictive to hold or attract any significant economic activity by the French. However, the DRV has won French agreement to the establishment of a commercial and cultural mission in Paris. Its presence will complicate French relations with Diem and facilitate the maintenance of DRV influence among Vietnamese resident in France.

III. SOUTH VIETNAM — CURRENT SITUATION AND TRENDS

Political

35. During the past year President Ngo Dinh Diem's government has greatly strengthened

~~SECRET~~

~~SECRET~~

7

its internal political position in South Vietnam, a country with an estimated population of 12 million. The national referendum in October 1955 established the legitimacy of the Government of Vietnam (GVN), and completed the elimination of Bao Dai as Chief of State and as a major political factor in South Vietnam. By the end of March 1956, Diem reduced the Cao Dai and Hoa Hao groups to political impotence by a series of moves which culminated in the elimination of the Cao Dai army as an independent military force and the capture, trial, and execution of Ba Cut, the last important active Hoa Hao resistance leader.

36. On 4 March 1956, in South Vietnam's first national elections, 80 percent of the eligible voters participated in electing 123 deputies from 405 candidates for the Constituent Assembly. The returns gave pro-Diem forces a substantial majority. Although nearly one-third of the government-favored candidates were defeated, no openly anti-Diem deputy was elected. This was due in part to government manipulation of the election campaign and in part to a boycott of the elections by most of the opposition parties. Despite efforts by the Vietnamese Communists and other resistance groups to disrupt and sabotage the voting, the elections generally were calm and orderly. The Constituent Assembly will sit for a four-year term as the first National Assembly.

37. The deputies in the Constituent Assembly, which convened 15 March, are divided among political parties as follows: National Revolutionary Movement (NRM), 61; Revolutionary Workers Party (RWP), 15; Citizens Rally (CR), 26; Movement of Struggle for Freedom (MSF), 6; and Independents (including one Dai Viet), 15. The NRM is the Diem government's primary source of organized political power. Although Information Minister Tran Chanh Thanh is its titular head, a large part of the party is controlled by Diem's brother, Ngo Dinh Can, who controls Central Vietnam. The RWP, also a government party, is led by Diem's brother, Ngo Dinh Nhu. While the CR, MSF, and most Independents now support Diem, they contain some members

who have reservations about some of Diem's methods and are potential centers of parliamentary opposition.

38. Diem will probably maintain his dominant political position in South Vietnam during the period of this estimate. The constitution, which has been drafted under Diem's supervision, gives the President wide powers including the right to appoint the first Vice President and to suspend civil rights during the life of the first Assembly. Diem's personal prestige will probably be enhanced by improvement in internal security and by continued frustration of Vietnamese Communist objectives. However, he will continue to face serious problems in attracting additional active support for his government, in part because of his reliance on a small circle of relatives and trusted friends. While Diem's control of the Assembly during the period of this estimate will probably be adequate to insure adoption of any important measure he wishes enacted, his inclination to hold a tight rein on the legislature may accelerate the development of an active opposition.

39. The appointment of a Vice President by Diem, now 55, will remove much uncertainty over presidential succession. Nevertheless, Diem's death, whether by natural causes or assassination, could result in serious factional disputes in the government and among the major political parties which could strain the new governmental institutions. Ngo Dinh Nhu and Tran Chanh Thanh, key figures in the RWP and NRM, have a great deal of political power and would play important roles in any redistribution of power, but neither of these men has a wide popular following. To some government critics and government supporters Thanh symbolizes the more regressive features of the Diem regime. At the moment, Secretary to the President and Acting Minister of the Interior Nguyen Huu Chau appears to enjoy Diem's favor and has grown rapidly in stature and power, but he has no organized political backing apart from his support by Diem and Nhu. Ngo Dinh Can would probably play an important behind-the-scenes role in any redistribution of power, but his lack of national stature and poor

~~SECRET~~

~~SECRET~~

8

health would almost certainly rule him out as a leading contender for leadership. Tran Van Lam, leader of the CR, is ambitious and enjoys considerable popularity in the southern provinces, but his political position is weak. Although the army high command has been trying to keep the army out of politics, the prestige and strength of the army would almost certainly play a major and possibly decisive role in the redistribution of political power. The numerous anti-Diem nationalists in South Vietnam and France would probably attempt to re-enter the picture and their maneuvers would add to the confusion. However, many of these men are discredited because of their past relations with Bao Dai, the French, or the Communists, and it is doubtful that any of them could muster sufficient backing to gain control.

Economic

40. South Vietnam is normally an agricultural surplus area, exporting rice and rubber. During World War II and the civil war periods large portions of cultivated land were abandoned and the transportation and irrigation systems deteriorated. Current rice production is less than two-thirds the pre-World War II levels, and exports in 1955 were only about 100,000 tons as compared with the prewar annual total of more than one million tons. Current rubber output of 54,000 tons exceeds the prewar level by about 10,000 tons and rubber has replaced rice as South Vietnam's leading foreign exchange earner. In 1955, high market prices raised the value of South Vietnam's rubber exports almost 80 percent above 1954 and to more than half the value of all exports.

41. Because of the decline in rice exports and the large imports of consumer goods and, to a lesser extent, capital goods for rehabilitation, South Vietnam is running a large deficit in its balance of payments. In 1954 exports covered 17 percent of imports while in 1955, even with unusually high rubber prices, exports covered only 25 percent of imports. At present, US aid is filling the gap and is an important factor in the relatively high standards of living prevalent in much of South

Vietnam. For the fiscal years 1955 and 1956 the planned level of US economic and military aid for South Vietnam totaled approximately \$520 million (not including the value of US equipment already in Vietnam and transferred to the GVN). At present the US is financing about 90 percent of the GVN military budget, 65 percent of the combined military-civilian budget, and 75 percent of all South Vietnam's imports.

42. The withdrawal of French military forces, the termination of France's preferential trade status, and the loosening of French-Vietnamese political ties have combined to curtail the scale of French industrial and commercial activity in South Vietnam. French business interests are withdrawing about as rapidly as Vietnamese restrictions on currency transfers permit. South Vietnam's import trade is moving away from France toward Japan and the US. In 1953 and 1954, France supplied about 80 percent of South Vietnam's imports. In 1955 the figure dropped to 50 percent and the downward trend is continuing. In the same two-year period, Japan's share of South Vietnam's imports has increased from three to 12 percent.

43. The GVN has not yet effectively come to grips with its economic problems. President Diem has stated that 1956 will be a year of economic consolidation, but through the first six months of the year, GVN attention continued to be focused on security and political issues. Only the most pressing economic problems have received serious government attention and those have generally been dealt with by *ad hoc* methods or authoritarian decrees. For example the government has attempted to cope with a serious threat of inflation by a series of decrees controlling prices and inventories for many items and establishing high fines and even the death penalty for attempts to corner the market. These measures have contributed little to preventing inflation and have aroused the resentment of the important Chinese community. Inflationary pressures have been held in check primarily because the government has been able, with US aid, to maintain a fairly high level of imports of consumer goods.

~~SECRET~~

~~SECRET~~

9

44. Progress has been slow in the resettlement of refugees and in the implementation of other measures to increase agricultural production. The limited land reform program inaugurated in 1953 is unattractive to the peasant in comparison with extravagant Communist promises. Landlords are objecting to the low rents provided for in the program and their opposition plus the general lack of official determination and administrative competence has led to the stagnation of land reform.

45. Nevertheless, the GVN has made some progress in building the organizational structure necessary to replace institutions of the French colonial period. The GVN has created an independent national bank, a foreign exchange office, an investment fund, a government-owned commercial bank, and an independent currency. President Diem has proposed establishment of a High Economic Council to guide the country's economic development and he has made informal reference to the possibility of a four or five year plan for economic rehabilitation and development. In addition, government officials now administer a substantial import program and the application of a substantial US foreign aid program. Although these new institutions and economic activities provide an essential beginning for further economic progress, they are not yet fully operative or effective.

46. Though South Vietnam cannot become economically self-supporting so long as it must maintain armed forces of the present size, its economic position could be substantially improved by economic and fiscal reforms. However, during the period of this estimate there is little prospect for marked development of South Vietnam's economy or for a significant reduction in its balance of trade and budget deficits. Inflationary pressures are almost certain to continue. However, the food supply, a critical political factor, is likely to be more than adequate for domestic needs. Provided security conditions continue to improve, the GVN will probably give economic problems increased attention during the coming year and will probably be able to make some progress toward solution of several specific economic problems. A pro-

gram to resettle 100,000 refugees on abandoned land has been developed and some 40,000 of these have already been relocated. This project will probably be followed by further resettlement projects which are likely to reduce substantially the refugee problem during the estimate period. Additional land will probably be brought under cultivation. Some improvement is likely in tax collection and in handling the problem of French disinvestment. By mid-1957, economic development planning will probably be well advanced, but concrete results are unlikely within the period.

Military

47. Current strength of the Vietnamese National Army (VNA) is approximately 145,000 troops. The VNA is organized into 4 field infantry divisions (8,500), 6 light infantry divisions (5,225), 1 airborne groupment (4,000), 13 territorial regiments, 5 separate sect regiments, and 15 assorted combat battalions. Although some progress has been made during the past year, the extensive plans for training and reorganizing the VNA have fallen behind schedule because most major units have been dispersed with many of them engaged in security operations. Principal VNA weaknesses are an inadequate logistical and technical support system, an ineffective chain of command, and inexperience at the command and staff levels. At least six months of uninterrupted training will be necessary to bring the VNA to minimum operational effectiveness at division level. VNA loyalty to President Diem and his policies seems assured. The army's self-confidence and morale are generally good.

48. When the French High Command was inactivated on 23 April 1956, all previous French-Vietnamese military agreements were terminated. All French combat units have been withdrawn from Vietnam. After 1 July, only a few French army personnel remained in South Vietnam, in addition to a 1,000-man French military support group for the ICC. The Vietnamese and the French are now negotiating concerning French support for the ICC and the French role in training the Vietnamese forces, particularly air and naval

~~SECRET~~

~~SECRET~~

10

forces. The primary US-directed effort has been the training of a Vietnamese instructor corps and the development of training programs throughout the Vietnamese army. US personnel are detailed to VNA training centers, to units at division level, and to major territorial commands to supervise progress and implementation of the training program. The US military group in South Vietnam has been held to its pre-Geneva size despite the near complete withdrawal of the French mission, which totaled about 2,500 personnel prior to the Armistice. However, a 350-man US Temporary Equipment Recovery Mission (TERM) is being established in South Vietnam.

49. South Vietnam's embryonic air force (VNAF) has grown only slightly during the past year. Its current strength of 3,336 includes 103 trained officer and enlisted pilots and 100 pilot trainees. VNAF aircraft inventory is 143 planes, mostly trainer/liason and transport types. Although the air force is receiving F8F piston fighter-type planes, it is unable to maintain even limited flight operations because of a lack of qualified maintenance personnel. The VNAF has a limited capability to provide air support to ground troops, artillery observation, air evacuation, liason, and air lift for paratroop operations. No significant increase in VNAF capabilities appears likely during the next two to three years.

50. South Vietnam's navy is under operational control of the Chief of Staff of the VNA and under the administrative command of a senior naval officer. Personnel strength is 142 officers and 1,755 men, with a Marine Corps of 44 officers and 1,775 men. The forces afloat, which have been augmented over the past year by additions from the withdrawing French forces, include 3 submarine chasers (PC), 3 coastal minesweepers (MSC (O)), 14 amphibious vessels (2 LSM, 2 LSSL, 5 LSIL, 5 LCU), and 170 smaller amphibious and patrol craft. The Vietnamese navy has limited effectiveness, but it is capable of undertaking river patrol and minor coastal and amphibious operations. Capabilities should improve substantially in the near future be-

cause of continued US aid and intensive training programs which include technical training in the US and France.

51. We believe South Vietnam's military and security forces are capable of maintaining the government in power against any potential armed opposition now located south of the 17th parallel. In the event of large scale, concerted guerrilla warfare supported by infiltration of men and supplies from the north, relatively large areas of rural Vietnam probably would be lost to government control. In the event of full scale invasion, the Vietnamese forces at present probably could not delay for more than 60 days a Vietnamese Communist advance to the Ban Me Thout-Nha Trang line. If the trend toward improved internal security and increased effectiveness of the Civil Guard continues, it will be possible to step up training and reorganization of the VNA, thereby improving its capabilities during the period of this estimate. However, by mid-1957 Vietnamese forces will still be incapable of delaying for more than 90 days an advance by DRV forces beyond the Ban Me Thout-Nha Trang line.

Internal Security

52. The internal security situation in South Vietnam has improved substantially during the past year. The sects are no longer a major security problem for the GVN. Most of the important non-Communist sect leaders of a year ago have either fled the country, been killed or captured, lost control of their forces, or rallied to the government. Remaining sect armed bands are scattered and disorganized and probably total no more than 2,000. Although various bandit groups will probably continue to cause local disturbances, it is likely that organized non-Communist resistance will virtually disappear during the period of this estimate.

53. With the sect problem basically under control, the Communist underground represents the only serious threat to internal security in South Vietnam. Reports on Communist armed strength in the south over the past year have ranged from 5,000 to 10,000. Our best estimate of current strength is 8,000 to

~~SECRET~~

~~SECRET~~

11

10,000 with approximately 5,000 organized in skeletal company and battalion sized units which could be expanded through recruitment. These armed forces are generally scattered through the mountains paralleling the Annam coast and the remote swampy regions of Cochinchina. They are capable of harassing actions against VNA outposts and of widespread intimidation, assassination, sabotage, and terrorism, especially in rural areas. They could disrupt north-south traffic throughout Central Vietnam and interfere seriously with provincial and local administration. However, any sustained guerrilla operations would require a flow of reinforcements and supply from the north.

54. The Communists have an unknown number of political cadres in the south engaged in subversive and propaganda activities. Although Communist cadres probably exercise effective control over some remote communities where the GVN has not yet attempted to establish its authority, and have some influence in villages through much of South Vietnam, over-all Vietnamese Communist political influence in the south appears to have diminished during the past year. However, if the Communists decide to exercise their capability for armed intimidation and terror they could quickly reassert political control or influence, at least in some rural areas where GVN authority is tenuous.

55. During the past year the Communists in South Vietnam have remained generally quiescent. They have passed by a number of opportunities to embarrass the Diem regime. Although some cadres and supplies are being infiltrated across the 17th parallel, the DRV probably has not sent any large scale reinforcement or supply to the south. Communist activity in the south appears to concentrate on protecting vital bases and supply caches, developing clandestine paramilitary organizations, and implementing a broad program of infiltration and subversion. While seeking to maintain intact as much of their armed strength as possible, their main activity seems to be an effort to weaken the Diem government by subversive and political tactics. Communist directives indicate that penetration and subversion of the GVN military and

security forces is a major objective. Although there is little specific evidence, they probably have penetrated lower echelons of the VNA, especially the integrated sect forces, and probably hold positions of influence in some provincial governments and village councils. Local Communist groups probably gave some assistance to the Cao Dai and Hoa Hao forces opposing the government. Since the collapse of sect armed resistance it is possible that the Communists are seeking to take over the remnants of the sect forces.

56. The GVN has organized a Civil Guard to relieve the VNA of many static internal security duties. Current strength of the Civil Guard is approximately 48,000 men organized in lightly-armed mobile companies. Its mission is to maintain law and order, collect intelligence, and conduct countersubversion operations at the provincial level in areas pacified by the army. Although considerable progress and refinement in its training and organization will be necessary before the Civil Guard can fully discharge its responsibilities, it has shown considerable potential as an instrument for maintaining internal security. A 60,000-man village Self-Defense Corps (Dan Ve Doan) is being organized to provide security at the local level.

Foreign Relations

57. GVN foreign policy objectives are to win recognition as the legitimate government of all Vietnam, to obtain maximum foreign military and economic aid and guarantees of foreign assistance in the event of Communist aggression, and to develop foreign support for its position with respect to the Geneva Agreements. Forty-one nations have recognized the GVN. In addition, India and Indonesia maintain consular relations with the GVN.

58. President Diem consistently has maintained that South Vietnam is not bound by the 1954 Geneva Accords and has no legal responsibility for their implementation. He has refused to deal directly with the DRV on any issue and has been steadfast in his rejection of all-Vietnam elections until "democratic processes can be assured in North Vietnam." He believes that any consultations or implied recognition of the DRV would have

~~SECRET~~

~~SECRET~~

12

adverse political effects in the south and could lead to increased internal and international pressure for reunification of Vietnam under a coalition government with the Communists.

59. His refusal to permit nationwide elections and to assume responsibilities under the Geneva Accords raised the possibility of a withdrawal of the ICC following the deactivation of the French High Command in April. To deal with this situation, representatives of the Geneva co-chairmen (the UK and the USSR) met in London during April and May 1956. The USSR failed to press DRV demands that the co-chairmen reopen the Geneva conference. Instead, the co-chairmen finally agreed upon identical letters to the DRV and GVN requesting them to prevent any violation of military clauses of the Geneva Accords, to insure implementation of the political terms, to submit at the earliest possible time a convenient deadline for direct consultations and for holding all-Vietnam elections, and to give every assistance to the ICC. The co-chairmen requested the ICC to continue supervising the Armistice. They requested the French government to continue its good offices in support of the ICC, to reach agreement with the GVN to facilitate the task of the ICC and the Joint Armistice Commission (French-DRV), and to preserve the status quo until such new arrangements could be put into effect.

60. Despite his past refusals to assume responsibilities under the Geneva Accords, in his response to the co-chairmen's message Diem agreed to respect the Armistice and to provide security for ICC members. He recognizes the deterrent value inherent in the presence of the ICC, and appears willing to take action necessary to continue its function but continues to avoid the acceptance of any legal obligation under the Geneva Accords.

61. Franco-Vietnamese relations continue to reflect considerable ill-will and distrust on both sides. Recent causes of friction include disagreements concerning the future status and role of French military training missions, residual military base rights in South Vietnam, and the equivocal French attitude to-

ward the Communist regime in the north. The French now exercise little influence in Vietnamese affairs and there is little prospect for any improvement in relations in the near future.

62. South Vietnam-US relations have remained close and friendly during the past year. There have been few evidences of Vietnamese resentment of increasing US influence and activity in South Vietnam despite continual efforts by the Communists and some local French to stir up dissatisfaction on that score. The GVN would like the US to raise the mutually agreed ceiling on VNA force levels and desires greater autonomy in administering the foreign aid program. Diem would also like the US to exercise maximum political pressure, especially on the UK, India, and France, to enable the GVN to avoid any responsibility for the Geneva Accords.

63. Relations between South Vietnam and Cambodia have been strained by activities of resistance groups in border areas, by treatment of minority groups, by boundary disputes, and most seriously by disagreements relating to trade arrangements. A trade stoppage early in 1956 was removed through informal mediation by the US, and by the terms of settlement official representatives have been exchanged for the first time. The basic causes of friction remain, however. Vietnam does not desire full diplomatic relations with Cambodia because it fears such action would lead to Cambodian recognition of the DRV as well. There are no pressing problems in Lao-Vietnamese relations and South Vietnam's relations with the Philippines and Thailand are generally good.

IV. THE OUTLOOK IN VIETNAM

Probable Communist Courses of Action Toward South Vietnam

64. The DRV probably estimates that its chances for securing control of South Vietnam by means short of open attack or large scale guerrilla action supported from the north will gradually diminish with the passage of time. As indicated by Soviet and Chinese Communist performance in the past

~~SECRET~~

~~SECRET~~

13

several months, the DRV probably cannot expect strong support from the Bloc for the "strict implementation" of the Geneva Agreements. The lack of strong Bloc pressure strengthens international acceptance of the status quo in Vietnam and increases confidence in the future in South Vietnam. Although the DRV may still believe that it could obtain control of all Vietnam through ICC supervised nationwide elections, Vietnamese Communist leaders are probably increasingly doubtful on this point because of their own internal difficulties and the growing nationalist stature of Diem. The DRV probably also believes that its covert assets in South Vietnam will gradually decline if the Diem government is permitted to concentrate on internal security and economic problems free of external harassment.

65. Despite the declining prospects for the "peaceful" take-over of South Vietnam, we believe that the USSR and Communist China will almost certainly continue unwilling to support open DRV military action against South Vietnam during the period of this estimate. They are probably unwilling to risk the chance of US or SEATO intervention which would make it difficult to limit the conflict to Vietnam, and probably believe that overt DRV military action would seriously undercut the worldwide effort of the Bloc to win friends and supporters. Although the DRV retains the capability to launch an independent military action against South Vietnam, the chances of such action in the absence of assured Bloc support appear to be extremely small.

66. The only remaining course of action holding out some promise for the early achievement of Communist control in South Vietnam appears to be the development of large scale guerrilla warfare in the south. In recent weeks a number of reports from sources of untested reliability have indicated that the Communists may have started preparations in both South Vietnam and in the north to begin guerrilla action. DRV allegations of Vietnamese violations of the demilitarized zone along the 17th parallel and Communist claims of US-Diem plans to violate the Armis-

tice could be propaganda cover for the initiation of guerrilla action against the south.

67. However, the possible indications of armed action appear inconsistent with the DRV's insistence on the continued functioning of the ICC — which is in a position to make at least limited observations of DRV activities. Moreover, guerrilla action in South Vietnam, if it were to be sustained and not to result simply in the identification and gradual elimination of Communist cadres, would require large scale support from the north. This would involve some risk of detection by the ICC and of intervention by the US and possibly SEATO. It would also tend to prejudice current Communist maneuvers elsewhere in Asia. For these reasons, we believe that the DRV will refrain from instituting large scale guerrilla action within South Vietnam during the period of this estimate. Communist capabilities for guerrilla warfare in South Vietnam will exist for some time, however, and the chances of their being employed would probably increase in the event of any substantial deterioration in the domestic situation in South Vietnam — such as might conceivably occur on the death of Diem. The chances of Communist guerrilla warfare would also be increased by deterioration of the international aspects of the situation, such as a withdrawal of the ICC under circumstances which would permit the Communists to place the blame for this event on the GVN.

68. The DRV will continue to seek maximum Bloc support for its objectives and will seek, within the limits of Bloc strategy, to harass and undermine the government in South Vietnam. It will continue to seek direct contacts with South Vietnam, offering economic and cultural exchanges while castigating Diem for "blocking" unification. It will continue efforts to penetrate the government of South Vietnam and to improve its covert organization throughout the area. It may attempt to increase pressures for a reconvening of the Geneva conference and to unsettle the Diem government by fabricating or provoking incidents along the demarcation line and by demonstrations of armed strength within South Vietnam.

~~SECRET~~

~~SECRET~~

14

Trends in South Vietnam

69. Barring a major Communist effort to disrupt the Diem regime by renewal of large scale guerrilla operations, the over-all prospects for improved security of South Vietnam are good. The VNA, as its training progresses and as more units are released from static security duties, probably will be able to pacify and extend government authority into many areas of present Communist influence. Diem's success in by-passing the July 1956 election date without evoking large scale Communist military reaction will reassure many Vietnamese and encourage them to cooperate with GVN programs to expose and root out Communists. Continued improvement in internal security will depend in some measure on the government's ability to deal with economic and social problems and on the effectiveness of the administrative apparatus.

70. If the Communists were to undertake large scale guerrilla action in South Vietnam, they probably would not be able to develop widespread popular support, especially if the VNA were to register some early military success. The GVN is being increasingly accepted as a nationalist alternative to Communist leadership. Public confidence in the GVN, combined with general war-weariness, may have already reached the point where any effort to upset the government by force would lead to a strong popular reaction against the guerrillas.

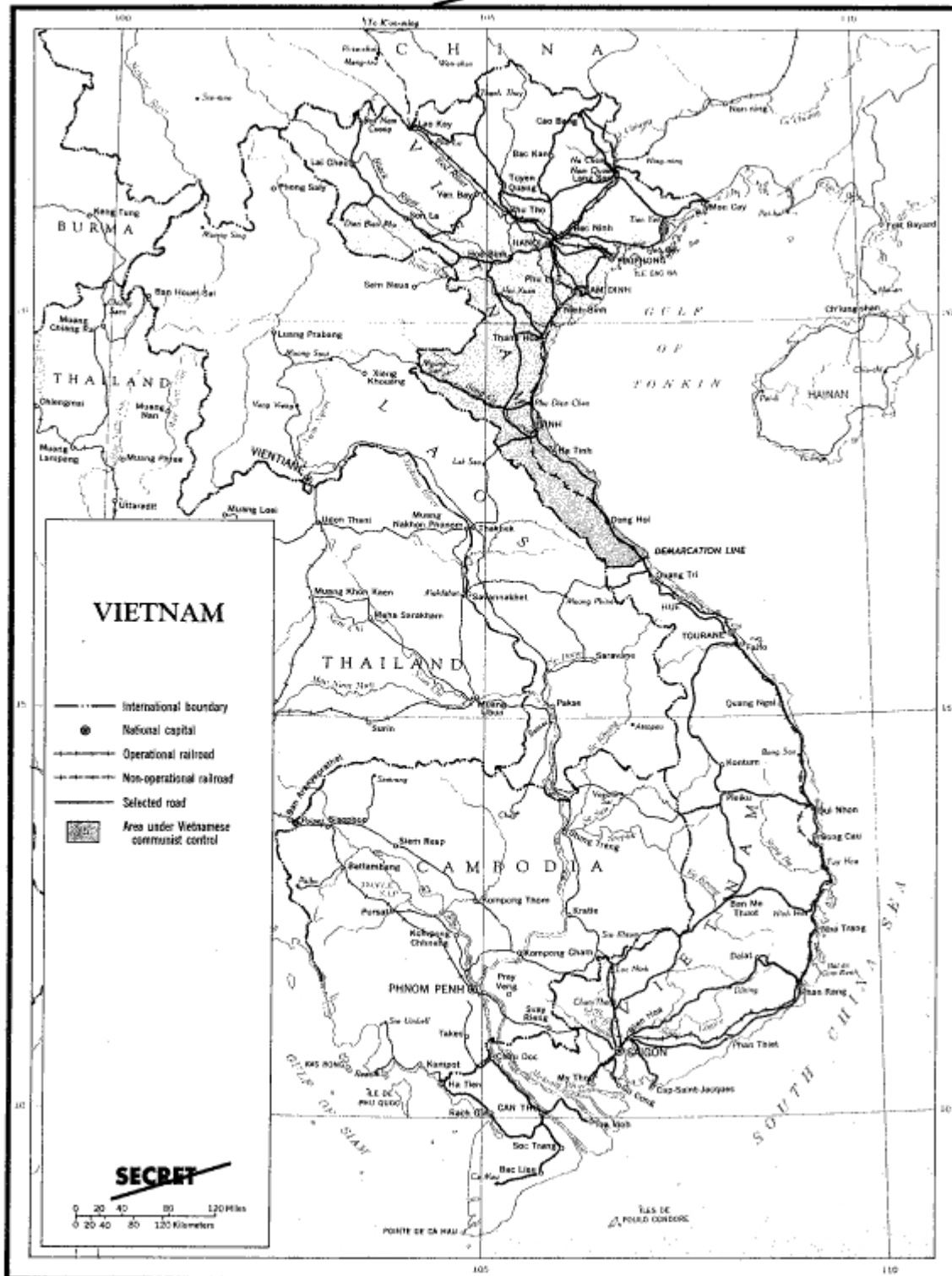
71. The trend toward increased political stability in South Vietnam will probably continue during the period of this estimate and President Diem will probably continue to exercise effective political control. The trend toward authoritarian rule through the political parties led by Diem's relatives and small circle of trusted associates will probably continue. Isolation and neutralization of government crit-

ics and men disliked or distrusted by Diem will also continue. Diem and his associates are likely to exert strong pressures against any opposition in the Assembly. Thus it is not likely that Diem or his government will meet any serious opposition in the National Assembly during the period of this estimate; however, over a longer period the accumulation of grievances among various groups and individuals may lead to development of a national opposition movement. The major economic problems will undoubtedly continue and over the longer run may handicap South Vietnam in competition with the Communist north, but economic conditions are unlikely to affect political stability during the period of this estimate.

72. Despite the moderately favorable outlook projected for South Vietnam, the situation contains many elements of instability, and progress will continue to depend on firm US support. A number of contingent developments could create new tensions among the foreign powers concerned as well as between the GVN and the DRV. For example, the steps which Diem is willing to take toward facilitating the operations of the ICC may not be adequate to satisfy India whose representative serves as chairman of the Commission. Should the Commission withdraw, DRV agitation might well be intensified and international Communist pressures on the diplomatic level would probably increase. The UK might become less firm in its support of Diem's position. Weakening of international support for Diem, a marked increase in Bloc support for the DRV, or a substantial increase in Communist activity within South Vietnam would probably weaken the government's confidence in its position, cause some loss of public support, and lead to renewed efforts by opponents of the regime in the direction of reconciliation with the north.

~~SECRET~~

~~SECRET~~



~~SECRET~~

25543 7-56

~~SECRET~~