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Department of State

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Action

Control: 15256

Rec'd: OCTOBER 19, 1963

6:56 AM

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FROM: SAIGON

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Info

TO: Secretary of State

NO: 748, OCTOBER 19, 1 PM (SECTION ONE OF TWO)

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ACTION DEPARTMENT 748, INFORMATION CINCPAC 430.

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DEPTEL 558 REQUESTED TF SAIGON EVALUATION ON CONTINUING BASIS OF US ACTIONS BRING PRESSURE ON GVN (DEPTEL 534). FOLLOWING ASSESSMENTS REFLECT COMBINED JUDGMENT OF TASK FORCE.

1. GENERAL. TO DATE THERE HAVE BEEN NO RPT NO CLEAR INDICATIONS THAT US ACTIONS HAVE HAD AN ADVERSE EFFECT ON WAR EFFORT EITHER IN MILITARY OR ECONOMIC SPHERES. PEOPLE IN COUNTRYSIDE LARGELY UNAWARE OF RECENT DEVELOPMENTS IN US-GVN RELATIONS OR IF AWARE DO NOT FEEL THESE DEVELOPMENTS AFFECT THEIR LIVES DIRECTLY. AMONG EDUCATED CLASSES IN URBAN AREAS GENERAL AURA OF UNREST AND DISCONTENT PERSISTS BENEATH SURFACE. MOST SIGNIFICANT PSYCHOLOGICAL REACTION UNDERSTANDABLY TAKING PLACE AMONG BUSINESS COMMUNITY (US, VIETNAMESE, CHINESE AND OTHER FOREIGN BUSINESSMEN) IN SAIGON/CHOLON AREA. WE HAVE RECEIVED INCREASING NUMBER REPORTS BUSINESSMEN WORRIED OVER SUSPENSION CI PROGRAM AND ITS EFFECT ON PRICE STRUCTURE AND OVER POSSIBLE CUT-OFF OF US AID. PRICE OF GOLD HAS INCREASED SHARPLY. OTHER BUSINESSMEN SEEKING UNLOAD LARGE SUMS PIASTERS AT 120 TO DOLLAR OR FIND INVESTMENTS YIELDING HARD CURRENCY RETURN (SEE EMBTEL 715 PARAGRAPH 7). COMMODITIES AND RELATED TRADES PRIMARILY AFFECTED ARE SUGAR, FLOUR, CONDENSED MILK, AND CEMENT. WHILE REPORTS STILL SOMEWHAT CONFLICTING, CONCERN IN BUSINESS COMMUNITY, AND TO CERTAIN EXTENT IN GENERAL PUBLIC, HAS DEFINITELY DEEPENED OVER PAST FEW DAYS (SEE BELOW).

REACTION BY GVN TO US MEASURES CONTINUES IN SUBTERRANEAN WAYS. WE HEAR CONTINUED RUMORS, PROBABLY OFFICIALLY INSPIRED,

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OF PLANS FOR SACKING EMBASSY AND USIS. TIMES OF VIETNAM HAS CONTINUED ITS DRUMFIRE OF ARTICLES STRONGLY SUPPORTING GVN POLICIES AND ATTACKING ELEMENTS OF US MISSION ALLEGEDLY OPPOSING GVN BY OVERT AND COVERT MEANS. REPORTS FROM VARIOUS SOURCES INDICATE GVN CURRENTLY ENGAGED IN PLANNING BELT-TIGHTENING MEASURES.

2. ECONOMIC. KEY PRICES OF IMPORTS DURING WEEK REVERSED PATTERN AND TOOK LONG-EXPECTED RISE. MOST IMPORTANT WERE SWEETENED CONDENSED MILK (BY UP TO 10 PERCENT, DEPENDING ON BRAND), WHEAT FLOUR (33 PERCENT), AND CEMENT (30 PERCENT), AS WELL AS CHEMICAL PRODUCTS, SOME IRON AND STEEL PRODUCTS IN SHORTEST SUPPLY, AND MISCELLANEOUS MANUFACTURED IMPORTS.

FAILURE TO RISE PREVIOUSLY IN SPITE OF EXPECTED SHORTAGES WAS REPORTEDLY GVN-INSPIRED BELIEF PROCUREMENT AUTHORIZATIONS WOULD BE ISSUED MID-OCTOBER. TRADE SOURCES REPORT THERE HAD BEEN SOME QUIET SPECULATIVE BUYING. NOW CANNED MILK AND FLOUR HARDER TO FIND, AND GVN LIMITING MARKETING OF LAST FLOUR SHIPMENTS AND IS EXPECTED DO SAME WITH COMING MILK ARRIVALS. THUS, THOUGH SUPPLIES OTHERWISE ADEQUATE TILL JANUARY, APPEARS SPECULATORS HAVE STARTED CREATE ARTIFICIAL SHORTAGES NOW. IN CASE OF CEMENT, PRICE RISE CAN BE EXPLAINED IN PART AS NORMAL SEASONAL FLUCTUATION, AS END OF RAINS ALLOW RESUMPTION BUILDING; RECENT RISE BRINGS PRICE ONLY TO OFFICIAL LEVEL.

WHOLESALE RICE PRICE ALSO ROSE 8 PERCENT SINCE SEPTEMBER 24, FOLLOWING 17,000-TON SALE PHILIPPINES, 38,000 TONS OF WHICH WAS FROM PRIVATE STOCKS. GVN REQUIRED EXPORTERS DELIVER EQUAL AMOUNT NO. 1 RICE TO SECURITY STOCK, CREATING PRESSURE ON MARKET.

RISE KEY ITEMS TOUCHED OFF RISE SOME OTHER PRICES, PARTICULARLY FOODSTUFFS, EVEN THOUGH NO RPT NO SHORTAGE WAS IMMINENT.

TWO COMMERCIAL BANKS REPORT RISE IN DEMAND DEPOSITS, NO RPT NO CHANGE IN LOANS, WHICH DIFFICULT EXPLAIN. BLACK MARKET

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RATE ON PIASTER CLIMBED 15 PERCENT TO 128, AND THERE IS SPECULATION IN GOLD.

IN SUM, IMPACT ON GVN OF ECONOMIC PRESSURES TO DATE HAS NOT RPT NOT RESULTED IN REQUEST BY DIEM TO SEE AMBASSADOR, ALTHOUGH THUAN HAS TOLD AMBASSADOR THAT DIEM WORRIED. FURTHER TIME NEEDED FOR PRESSURES TO TAKE EFFECT AND PRESSURES SHOULD BE CONTINUED UNTIL POINT WHERE THEY LIKELY RESULT IN SEVERE ECONOMIC DISLOCATION. THERE ARE NO RPT NO FIRM INDICATIONS THAT DIEM/NHU WILL BACK DOWN IN FACE CONTINUED PRESSURE.

3. ASSISTANCE TO VIETNAMESE SPECIAL FORCES. THUAN AND GEN DON PERSONALLY ADVISED ON 17 OCT THAT MAP SUPPORT OF RVNAF AIRBORNE RANGER COMPANIES, CIVILIAN AIRBORNE RANGER COMPANIES AND CIVIL GUARD COMPANIES, PRESENTLY UNDER CONTROL OF VIETNAMESE SPECIAL FORCES (COL TUNG), WILL BE WITHHELD UNLESS THESE UNITS PLACED UNDER OPERATIONAL CONTROL OF JGS AND COMMITTED TO OPERATIONS. COMUSMACV LETTER TO PRESIDENT DIEM OF 18 OCT ADVISED HIM OF SAME. COL TUNG WILL BE PERSONALLY NOTIFIED WHEN HE RETURNS TO SAIGON.

GP-3.

LODGE

BAP

NOTE: ADVANCE COPY DELIVERED TO S/S-O AT 8:03 AM OCTOBER 19TH.
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OUTCOME AND SIGNIFICANT INDICATIONS AS A CHANGE OF ATTITUDE
MAY NOT RPT NOT APPEAR FOR SOME TIME.

GP-1.

LODGE

REE

NOTE: ADVANCE COPY TO S/S-O AT 10:15 AM 10/19/63

NOTE: PASSED WHITE HOUSE AT 10:25 AM 10/19/63

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Control: 15281
Rec'd: OCTOBER 19, 1963
8:35 AM

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FROM: SAIGON

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TO: Secretary of State

NO: 748, OCTOBER 19, 1 PM (SECTION TWO OF TWO)

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4. MILITARY. IN ADDITION TO CONTINUATION OF PRESSURES WHICH HAVE BEEN UNDERWAY FOR SOME TIME THE FOLLOWING SPECIFIC ACTIONS HAVE BEEN TAKEN ON MILITARY SIDE WITH RESULTS AS INDICATED:

A. PREVIOUSLY PROPOSED AND RECENTLY RE-EMPHASIZED SUGGESTION TO RELOCATE CORPS BOUNDARIES IN ORDER TO PLACE GREATER EMPHASIS IN DELTA HAS (WITH MINOR MODIFICATION) BEEN ADOPTED BY PRESIDENT DIEM AND WILL BECOME EFFECTIVE 1 NOVEMBER.

B. PREVIOUSLY PROPOSED SUGGESTION TO PLACE VIETNAMESE SPECIAL FORCES ELEMENTS OPERATING IN VARIOUS CORPS AREAS UNDER THE THE OPERATIONAL CONTROL OF CORPS COMMANDERS HAS BEEN ADOPTED BY GEN DON AND JGS DIRECTIVE PROMULGATED.

A. USMACV J3 AND GEN DON HAVE MADE COUNTRY WIDE TOUR VISITING ALL CORPS AND CMD WITH VIEW TO DETERMINING ~~TEAR#~~ MEASURES REQUIRED; TO PLACE GREATER EMPHASIS IN DELTA; TO STIMULATE INCREASE IN OPERATIONAL TEMPO IN ALL AREAS; AND TO ACCOMPLISH OTHER DIRECTED ACTIONS. THESE MEASURES WILL BE SUBJECT OF ANOTHER COMUSMACV LETTER TO PRESIDENT DIEM.

5. POLITICAL. IN GENERAL THERE HAVE BEEN NO RPT NO FAVORABLE DEVELOPMENTS ON VARIOUS MEASURES WE WOULD LIKE SEE ADOPTED IN POLITICAL AREA. DIEM/NHU HAVE REACTED TO PRESSURE BY DIGGING IN MORE DEEPLY AND ATTEMPTED EXERT DISCREET COUNTER PRESSURE

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