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OMB-01 SS-14 SSO-00 INRE-00 /061 W

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O R 091015Z OCT 74

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 9436

INFO AMEMBASSY BANGKOK

AMCONSUL BIEN HOA

AMCONSUL CAN THO

AMCONSUL DANANG

AMEMBASSY JAKARTA

AMCONSUL NHA TRANG

AMEMBASSY PARIS

AMEMBASSY SEOUL

AMEMBASSY TOKYO

USIA WASHDC

USDEL JEC PARIS UNN

CIA

DIA

JCS

JUSMAAG

WHITE HOUSE

USAJFKCMA/ATCS-WL-DSA

CINCPAC

CINCPACAF

CINCPACFLT

CINCUSARPAC

DEPCHIEF JUSMAAG UDORN

USDAO/SAIGON

AMEMBASSY LONDON

AMEMBASSY BUDAPEST

AMEMBASSY CANBERRA

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AMEMBASSY PHNOM PENH

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AMEMBASSY STOCKHOLM

AMEMBASSY VIENTIANE
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C O N F I D E N T I A L SECTION 1 OF 4 SAIGON 13065

CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: PINT PFOR ECON VS
SUBJ: EMBASSY SAIGON MISSION WEEKLY FOR OCT 3-9, 1974
THE WEEK IN SUMMARY

THE CEASEFIRE

RECATIONS TO THIEU'S SPEECH

NATIONAL ASSEMBLY OPENS FALL SESSION

CURRENT PROTEST ACTIVITIES IN SAIGON AREA

PROTEST ACTIVITIES IN AREAS OUTSIDE OF SAIGON

MARTHA GRAHAM DANCERS RECEIVE BRAVOS IN SAIGON

FONMIN BAC MEETS PRES FORD

GVN SUCCESS AT IPU CONF

SEPT EXPORT EARNINGS DISAPPOINTING

CONSUMER INDEX UP SLIGHTLY

CURRENCY AND GOLD QUOTES

I. INTERNAL

A. THE CEASEFIRE

THE LEVEL AND INTENSITY OF MILITARY ACTIVITY CONTINUED AT
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A GENERALLY LOW RATE THROUGHOUT THE FOUR MILITARY REGIONS THIS WEEK. TWO SIGNIFICANT EXCEPTIONS TO THIS WERE THE APPARENT FALL OF CHUONG NGHIA IN KONTUM PROVINCE IN MR-2, AND THE GVN RECOVERY OF OUTPOST 82 WEST OB BEN CAT, IN MR-3. THE LATTER WAS OVERRUN BY THE COMMUNISTS MAY 15, AND HAS BEEN THE GOAL OF PERIODIC HEAVY ASSAULTS BY GVN FORCES SINCE THAT TIME. THE EXPECTED ATTACK ON CHUONG NGHIA WAS LAUNCHED SEPT 30. THE SPECIAL SUBSECTOR CAME UNDER PARTICULARLY HEAVY ARTILLERY

AND MORTAR ATTACK AND GROUND ASSAULT OVER THE NEXT FOUR DAYS. MILITARY AND CIVILIAN LOSSES HAVE NOT BEEN ANNOUNCED, BUT THEY ARE CONSIDERED TO BE VERY HEAVY SINCE ONLY A SMALL NUMBER OF SURVIVORS HAVE BEEN PICKED UP TO DATE. II CORPS HAS NOT OFFICIALLY ANNOUNCED THE LOSS OF CHUONG NGHIA, BUT THE KONTUM PROVINCE CHIEF HAS STATE "IT IS NO MORE."

ALTHOUGH THE NUMBER OF INCIDENTS COUNTRY-WIDE WAS DOWN, RVNAF REPORTED CASUALTIES WERE COMPARABLE TO A WEEK AGO. IN MR-1 THE RVNAF REGISTERED SOME SUCCESS IN EFFORT TO IMPROVE THE SECURITY OF PHU BAI AIRFIELD, BY CAPTURING HILL BONG SOUTH OF THE AIRFIELD OCT 2. THE MAIN OBJECTIVE OF THE OPERATION IS MO TAN MOUNTAIN AND THE NEARBY HIGH GROUND, SOME 14 KMS SSW OF PHU BAI. GVN FORCES EXPENDED OVER 7,000 ARTILLERY ROUNDS IN MR-1 ON EACH OF THE FIRST TWO DAYS IN OCTOBER -- AN UNUSUALLY HIGH NUMBER FOR THE REGION.

IN MR-2 THERE WAS A MARKED LESSENING OF THE FIGHTING LEVEL IN THE NORTHERN PART OF BINH DINH PROVINCE MAINLY AS A RESULT OF HEAVY RAINS. RECENT ARVN INTELLIGENCE SOURCES INDICATE, HOWEVER, THAT THE NVA/VC HAVE PLANS FOR CONTINUING A HIGH LEVEL OF MILITARY ACTIVITY IN BINH DINH. COMMUNIST FORCES, AS EXPECTED, ARE MAKING A CONSIDERABLE EFFORT TO GATHER RICE IN PHU YEN PROVINCE, INCLUDING THREATS AGAINST CIVILIANS WHICH ARE GENERALLY BEING DISREGARDED. MONTAGNARD DISSIDENT ELEMENTS AND/OR BANDITS CONTINUE TO HARASS LOCS IN DARLAC PROVINCE TYING UP THE BULK OF SECTOR FORCES IN THE EFFORT TO ACHIEVE REAL SECURITY.

IN MR-3 THE FIGHTING OVER OUTPOST 82 HAS ALMOST CERTAINLY NOT ENDED, SINCE IT SECURES COMMUNIST COMMUNICATIONS ALONG ROUTE 14 IN THE IRON TRIANGLE. COMMUNIST FORCES PERSIST IN EFFORTS TO INTERDICT MAIN LOCS, WITH LONG KHANH TERRITORIAL FORCES CONTINUING TO BE ASSAULTED ALONG ROUTE 20 TO DALAT. TERRORISM CONTINUED
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IN MR-3 THIS WEEK WITH TWO HAMLET OFFICIALS ASSASSINATED.

WITH THE MONTHLY HIGHPOINT, WHICH HAS BECOME ALMOST A ROUTINE IN THE DELTA, STILL A WEEK AWAY, FIGHTING CONTINUED AT A LOW LEVEL IN MR-4. DESPITE THIS THERE WERE SEVERAL SIGNIFICANT INCIDENTS. GIAO DUC DISTRICT TOWN WAS HEAVILY SHELLED (OVER 100 ROUNDS OF MIXED ORDNANCE) WITH OVER 40 CASUALTIES -- MAINLY CIVILIAN. ACTIVITY WAS MARKEDLY HIGH IN BAC LIEU PROVINCE, WHERE A SINGLE OUTPOST IN SOUTHERN GIA RAI UNDERWENT HEAVY SHELLING (ALMOST 100 ROUNDS) AND A GROUND ATTACK, BUT HELD.

THE HUNGDEL TO THE ICCS HAS TAKEN PAINS TO DENY TO EMBOFFS THAT THE HUNGARIANS TRIED TO TAKE ADVANTAGE OF THE SEPTEMBER FINANCIAL CRISIS BY PUSHING FOR EVACUATION OF TEAM SITES. THE NEW HEAD OF THE INDODEL, AMB SUHUD, ARRIVED CEREMONIALLY ON OCT 6.

IRANIAN AMB SADRY IS AWAY FOR THREE WEEKS LEAVE. THE DRV/"PRG"
BOYCOTT OF THE FPJMT AND TPJMC CONTINUED INTO ITS SIXTEENTH WEEK.

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C O N F I D E N T I A L SECTION 2 OF 4 SAIGON 13065

CINCPAC FOR POLAD

B. REACTIONS TO THIEU'S SPEECH

THE MOST COMMON OPINIONS EXPRESSED BY VIETNAMESE ABOUT THE OCT 2 TELEVISED ADDRESS BY PRES THIEU ARE THAT THE SPEECH WAS TOO LONG (2 HOURS) AND THAT ITS RAMBLING, EXTEMPORANEOUS FORMAT WEAKENED ITS IMPACT. IN DISCUSSING THE SUBSTANCE OF THE SPEECH, TRAN QUOC BUU, PRES OF THE VIETNAMESE CONFEDERATION OF LABOR, EXPRESSED DISAPPOINTMENT WITH THE SPEECH SAYING THAT THIEU FAILED ADDRESS RECENT CRITICISMS OF THE GOVT AND THAT THIEU SUGGESTED NO SOLUTIONS TO THE PROBLEMS OF SOUTH VIETNAM.

BUU'S VIEWS WERE ECHOED IN MR-4, WHERE, CONGEN CAN THO REPORTS, MOST WHO LISTENED TO THE SPEECH FELT IT WAS ONE OF THIEU'S LEAST EFFECTIVE SPEECHES. MANY COMMENTED THAT THIEU DID NOT SPEAK TO THE PROBLEM OF THE GVN'S PERFORMANCE BUT BLAMED CURRENT DIFFICULTIES ON OUTSIDE FACTORS (E.G., LOWERED FOREIGN AID, THE COMMUNISTS). IN MR-3, CONGEN BIEN HOA CONFIRMS THAT PUBLIC REACTION WAS NEGATIVE AND A NUMBER OF PEOPLE THOUGHT THE PRESIDENT'S PLEDGE TO END CORRUPTION IN THE MILITARY BY NOV 1 IMPOSSIBLE.

POSITIVE REACTIONS TO THE PRESIDENT'S SPEECH CENTERED ON THIEU'S WILLINGNESS TO ADDRESS THE NATION DESPITE THE DIFFICULTIES HE IS FACING AND ON THE PRESIDENT'S PORTRAYAL OF VIETNAM'S CURRENT SITUATION AS A GRAVE ONE NEEDING COMMON ACTION TO RESOLVE. DAN CHU, THE NEWSPAPER OF THE GOVTS DEMOCRACY PARTY, QUOTED HOUSE DEFENSE COMITE CHAIRMAN DEPUTY DINH VAN DE AS SAYING THAT "THE PRESIDENTIAL TALK ON THE TRUE SITUATION OF THE COUNTRY HAS CONFRONTED NATIONALISTS WITH THE NEED TO ADOPT A METHOD OF COMMON ACTION ... TO AVOID THE RISK OF LOSING THE COUNTRY".

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MOST OTHER NEWSPAPERS PARALLELED THE VIEWS OF THE INDEPENDENT, THOUGH SOMEWHAT STRIDENT SAIGON DAILY, SONG TANH, WHICH REPORTED THAT "CONTRARY TO THE EXPECTATIONS OF THE PEOPLE, PRES THIEU ... DID NOT DIRECTLY ANSWER (FATHER TRAN HUU THANH'S) INDICTMENT NO. 1 IN WHICH THE ANTI-CORRUPTION MOVEMENT CHARGED (THIEU) WITH CORRUPT PRACTICES." WHAT HE DID SAY WAS, "I ASSERT THAT THESE SLANDEROUS AND DEFAMATORY ALLEGATIONS ARE IN FACT EXAGGERATIONS AND PURE FABRICATIONS."

C. NATIONAL ASSEMBLY OPENS FALL SEASON

SOUTH VIETNAM'S NATIONAL ASSEMBLY CONVENED ITS SECOND REGULAR SESSION ON OCT 7. IN A LARGELY CEREMONIAL OCCASION, THE SENATE AND LOWER HOUSE CHAIRMEN GAVE OPENING ADDRESSES TO THEIR RESPECTIVE MEMBERSHIP AND A BRIEF MESSAGE FROM PRES THIEU FOR A SUCCESSFUL SESSION WAS READ AT BOTH HOUSES. ORGANIZATIONAL MATTERS, SUCH AS ELECTIONS OF OFFICERS AND COMMITTEE MEMBERSHIPS WILL BE TAKEN UP IN SUBSEQUENT MEETINGS. IT IS GENERALLY ASSUMED THAT THE NATIONAL ASSEMBLY WILL GO TO PRE-GOVT SENATORS AND DEPUTIES.

THERE IS A TOTAL OF 81 DRAFT LAWS AWAITING NATIONAL ASSEMBLY CONSIDERATION. THE EMB HAS LEARNED THAT AMONG THE FIRST ORDER OF BUSINESS WILL BE CONSIDERATION OF LIBERALIZING AMENDMENTS TO DECREE LAW 007(PRESS) AND 060(POLITICAL PARTIES). IT IS EXPECTED BY ASSEMBLY LEADERSHIP THAT ACTION WILL BE COMPLETED ON THESE PRIORITY ITEMS BY THE END OF OCTOBER.

D. CURRENT PROTEST ACTIVITIES IN SAIGON AREA

ON SUNDAY, OCT 6, TWO PROTEST MEETINGS ORGANIZED BY THE PEOPLE'S ANTI-CORRUPTION MOVEMENT (PACM) WERE HELD IN AREAS NEAR SAIGON. IN A MORNING RALLY HELD AT XOM MOI CHURCH APPROX 1,000 CATHOLICS TOOK PART IN A MEETING LED BY PACM LEADER FR. TRAN HUU THANH. A MEMBER OF THE MOVEMENT READ FOUR POINT

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RESOLUTION WHICH: 1) SUPPORTS ARCHBISHOP BINH'S COMMUNIQUE OF SEPT 30; 2) DEMANDS "CLEAN UP OF GOVT MACHINERY"; 3) DEMANDS PRES THIEU RESPOND TO PACM INDICTMENT NO. 1; AND 4) SUPPORTS ERADICATION OF CORRUPTION.

IN THE AFTERNOON OF OCT 6, A LARGER RALLY OF SEVERAL THOUSAND

CATHOLICS TOOK PLACE IN CHI HOA. FR. THANH AGAIN PLAYED A PROMINENT ROLE AND WAS PRESENT AT THE READING OF ANOTHER FOUR POINT RESOLUTION IN WHICH PRES THIEU IS REQUESTED TO ENGAGE IN PUBLIC DIALOGUE WITH FR. THANH. THE RESOLUTION ALSO CALLS FOR ALL CONSTITUTIONAL ORGANS, SPECIFICALLY THE LEGISLATURE, TO ACT ON ASPIRATIONS OF VARIOUS PROTEST GROUPS. THE RESOLUTION CONCLUDES BY STATING PACM "WILL BE DETERMINED TO ACT POSITIVELY" IF DEMANDS NOT SATISFIED.

A GROUP OF ABOUT 50 BUDDHIST NUNS, IN A DEMONSTRATION IN DOWNTOWN SAIGON ON OCT 4, CALLED FOR PRES THIEU'S RESIGNATION AND FOR RELEASE OF ALL POLITICAL PRISONERS.

THE RECENT DEMONSTRATIONS HAVE BEEN NON-VIOLENT AND POLICE HAVE USED RESTRAINT IN CROWD CONTROL. LOW-KEY POLICE TACTICS IN SAIGON INCLUDE USE OF LOUDSPEAKER TRUCKS TO PLAY GOVT SLOGANS AND MUSIC AT TOP VOLUME IN ORDER TO DROWN OUT PROTESTORS' LOUDSPEAKERS.

MORE STATEMENTS WERE ISSUED LAST WEEK, IN WHAT APPEARS TO BE AN UNENDING SERIES OF COMMUNIQUE FROM VARIOUS GROUPS. THE VIETNAM DISABLED VETERANS ASSOC ISSUED A STATEMENT OCT 1 CLAIMING THAT GOVT CORRUPTION WAS PREVENTING FULL IMPLEMENTATION OF LAW 08/70(VETERANS BENEFITS). EIGHTY FIVE LAWYERS OF SAIGON HIGH COURT BAR ON OCT 3 ISSUED A FOUR POINT COMMUNIQUE SUPPORTING ANTI-CORRUPTION ACTIVITIES. THE FOLLOWING DAY, THREE VIETNAMESE JOURNALIST ASSOCIATIONS ANNOUNCED A "JOURNALIST GO BEGGING DAY" FOR OCT 10 TO CALL PEOPLE'S ATTENTION TO ALLEGED PRESS DIFFICULTIES.

NOTE BY OC/T: SAIGON 13065 SEC 2 OF 4 PARA C (##) AS RECEIVED. CORRECTION TO FOLLOW.

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USDEL JEC PARIS
CIA
DIA
JCS
JUSMAAG
WHITE HOUSE
USAJFKCMA/ATCS-WL-DSA
CINCPAC
CINCPACAF
CINCPACFLT
CINCUSARPAC
DEPCHIEF JUSMAAG UDORN
USDAO SAIGON
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C O N F I D E N T I A L SECTION 3 OF 4 SAIGON 13065

CINCPAC FOR POLAD

E. PROTEST ACTIVITIES IN AREAS OUTSIDE SAIGON

CURRENT PROTEST ACTIVITIES OUTSIDE OF SAIGON HAVE BEEN MAINLY ORGANIZED BY THE PEOPLE'S ANTI-CORRUPTION MOVEMENT (PACM). THE NATIONAL RECONCILIATION FORCE (NRF) HAS ALSO ENGAGED IN ORGANIZATIONAL ACTIVITY AND THERE HAS BEEN SOME ACITIVITY BY THE ANTI-HUNGER FRONT. OUR CONSTITUTENT POSTS AGREE THAT GOVERNMENT AUTHORITIES DO NOT EXPECT WIDESPREAD PUBLIC DEMONSTRATIONS IN THE IMMEDIATE FUTURE. THE POSSIBILITY OF

RENEWED POLITICAL PROTEST EXISTS, HOWEVER, SHOULD THE RELIGIOUS GROUPS DECIDE ON A MORE MILITANT POSTURE OR SHOULD THE GOVERNMENT ATTEMPT TO REPRESS SUCH ACTIVITY THE SITUATION COULD CHANGE.

THE SITUATION IN MR-I REMAINS QUIET AND THERE APPEARS TO BE NO IMMEDIATE PROSPECTS OF DEMONSTRATIONS IN THE REGION BY EITHER THE PACM OR ANY OF THE BUDDHIST BACK GROUPS. BOTH CATHOLICS AND BUDDHISTS ARE INTERNALLY DIVIDED, WHICH RESTRICTS EFFECTIVE ACTION ON THEIR PART. THE CATHOLICS SUFFER FROM THEIR IDENTIFICATION WITH THE LATE NGO DINH DIEM, AND PACM LEADER FATHER THANH'S CALL FOR A RETURN TO THE SPIRIT OF FIEM HAS FALLEN ON DEAF BUDDHIST EARS. SIMILARLY, BUDDHIST IDENTIFICATION WITH VILENT CONFRONTATION DECREASES THEIR ATTRACTION TO OTHER GROUPS'S IFWILLING TO RISK THE POSSIBLE CONSEQUENCES.

ACTIVITY OF THE PACM AND NRF IN MR-II HAS BEEN MINIMAL. THERE HAVE BEEN MEETINGS WITHIN CATHOLIC, AN QUANG DAI VIET AND VNQDD GROUPS IN WHICH THE ISSUES WERE DISCUSSED AND THERE HAS BEEN SOME PRECAUTIONARY PLANNING WITHIN GVN OFFICIAL CIRCLES BUT, THUS FAR, NO DEMONSTRATIONS OR OTHER SIGNIFICANT MANIFESTATIONS OF WIDE SUPPORT FOR PACM OR THE NRF HAVE TAKEN PLACE IN THE REGION. MR-II IS NOT AN AREA WHICH TRADITIONALLY ORIGINATES POLITICAL ACTIVITY OF THIS NATURE NOR CONFIDENTIAL

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IS IT AN AREA WHICH HAS TRONG CATHOLIC OR BUDDHIST LEADERSHIP. AS IT NOW STANDS, THE PROTEST MOVEMENTS DO NOT APPEAR TO HAVE STRONG LOCAL APPEAL IN MR-II.

IN MR-III THERE HAS BEEN NO NOTICEABLE WIDESPREAD INCLINATION TO JOIN ACTIVELY IN PUBLIC PROTESTS, BUT THERE HAS BEEN AVID INTEREST IN FATHER THANH'S INDICTMENT NO. 1 AT ALL LEVELS. ITS CONTENTS WERE WIDELY KNOWN AND SUBJECT OF LIVELY DISCUSSIONS IN MARKETS, COFFEE SHOPS AND OFFICES EVEN BEFORE PRESS DISCLOSURES APPEARS. A NUMBER OF CATHOLIC LEADERS HAVE WORKED QUIETLY AGAINST PUBLIC DEMONSTRATIONS AND GVN OFFICIALS BELIEVE THERE WILL BE NO PUBLIC PROTESTS IN THE NEAR FUTURE. THERE ARE INDICATIONS THAT AN EFFORT IS BEING MADE, THUS FAR APPARENTLY WITH LITTLE SUCCESS, TO ORGANIZE CHAPTERS OF THE ANTI-HUNGER MOVEMENT IN MR-III. IN SUM, GROUPS MANIFESTING INTEREST IN POLITICAL PROTESTS SHOW NO SIGN YET OF OVERCOMING UNITY AND ORGANIZATIONAL PROBLEMS IN THE REGION.

GVN OFFICIALS AT REGION AND PROVINCE LEVEL IN THE DELTA REPORTEDLY ARE UNCONCERNED ABOUT POSSIBLE PACM ACTIVITY. EFFORTS ARE APPARENTLY UNDERWAY IN MR-IV TO ENLIST SUPPORT FOR PACM BUT AUTHORITIES BELIEVE MAJORITY OF LOCAL CATHOLIC CLERGY WILL GIVE NO MORE THAN TOKEN SUPPORT TO A MOVEMENT WHICH THEY VIEW AS ESSENTIALLY NORTHERN AND DAI VIET LED. THERE IS SOME POSSIBILITY OF PARTICIPATION BY OTHER RELIGIOUS GROUPS IN

DEMONSTRATIONS OR PUBLIC MEETINGS.

F. MARTHA GRAHAM DANCERS RECEIVE BRAVOS IN SAIGON

CONTINUING ITS ASIAN TOUR, THE MARTHA GRAHAM DANCE COMPANY PRESENTED TWO SRO PERFORMANCES IN SAIGON ON OCTOBER 7 AND 8. THE APPEARANCES WERE UNDER THE JOINT AUSPICES OF THE EMBASSY AND THE GVN MINISTRY OF CULTURE, EDUCATION AND YOUTH. FIRST LADY, MRS. NGUYEN VAN THIEU, PRESIDED OVER THE OPENING PERFORMANCE WHICH WAS WELL ATTENDED BY PROMINENT POLITICAL, MILITARY AND BUSINESS FIGURES, AS WELL AS UNIVERSITY STUDENTS. THE LOCAL PRESS WARMLY WELCOMED TROUPE AND GAVE ENTHUSIASTIC REVIEWS TO PERFORMANCE.

II. EXTERNAL
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A. FOREIGN MINISTER BAC MEETS PRESIDENT FORD

FOREIGN MINISTER BAC, FOLLOWING HIS MEETING WITH THE SECRETARY SEP 30 IN NEW YORK, VISITED WASHINGTON OCT 1-5. HIGHLIGHT OF VISIT WAS MEETING WITH PRESIDENT FORD OCT 5. BAC ALSO CONFERRED WITH SECDEF SCHLESINGER OCT 3 AND WITH DEPSEC INGERSOLL OCT 2. HE CALLED ON SENATOR STENNIS AND CONGRESSMAN HEBERT, CHAIRMAN OF THE ARMED SERVICES COMMITTEES OF THE TWO HOUSES. BAC ALSO LUNCHEDED WITH SENATORIS MUSKIE, GOLDWATER, AIKEN AND OTHERS ON THE HILL, AND AT A LUNCH GIVEN BY AMB PHUONG MET SENATORS THRUMOND, HELMS AND FONG AND CONGRESSMEN ZABLOCKI, PASSMAN AND ANDREWS. HE MET MR. GEORGE MEANY AND LUNCHEDED WITH MEMBERS OF THE EDITORIAL STAFF OF THE WASHINGTON STAR NEWS. DEPUTY PM DON WAS ALSO IN WASHINGTON DURING THIS TIME AND PARTICIPATED IN MANY OF THESE MEETINGS.

MINISTER BAC LEFT WASHINGTON OCTOBER 5 FOR NEW YORK WHERE HE MET OCT 7 WITH THE FOREIGN MINISTERS OF NIGERIA AND MOROCCO. HE THEN FLEW TO LONDON, AND IS EXPECTED TO RETURN TO SAIGON SOON, PERHAPS WITH STOPS IN PARIS AND BONN.

B. GVN SUCCESS AT IPU CONFERENCE

LAST WEEK TOKYO REPORTED THAT IPU EXECUTIVE COMMITTEE OCT 1 VOTED 6-2 TO DROP SOVIET CHALLENGE TO RVN PARTICIPATION IN IPU, BUT THAT SOVIETS RESERVED RIGHT TO INTRODUCE QUESTION IN IPU COUNCIL. SOVIETS DID SO OCT 2, ALLEGING THAT PARIS AGREEMENT RECOGNIZED TWO GOVERNMENTS IN SVN AND THUS RVN GROUP NOT FULLY REPRESENTATIVE. CONGRESSMAN DERWINSKI LED REBUTTAL, STRESSING

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AMEMBASSY SEOUL

AMEMBASSY TOKYO

USIA WASHDC

USDEL JEC PARIS UNN

CIA

DIA

JCS

JUSMAAG

WHITE HOUSE

USAJFKCMA/ATCS-WL-DSA

CINCPAC

CINCPACAF

CINCPACFLT

CINCUSARPAC

DEPCHIEF JUSMAAG UDORN

USDAO/SAIGON

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CINCPAC FOR POLAD

STATUTES PERMIT ONLY ONE GROUP PER COUNTRY, THERE WAS NO PROVISION FOR DISAFFILIATION OF A MEMBER, THAT THERE WAS NO FORMAL PROPOSAL TO CHANGE SVN REPRESENTATION, AND THAT SUSPENSION OF RVN WOULD CREATE DANGEROUS PRECEDENT. SEVERAL OTHER DELEGATIONS SUPPORTED THIS VIEW, AND RVN WON VOTE BY 72 TO 25 WITH 9 ABSTENTIONS. A NUMBER OF PARLIAMENTARIANS FROM COUNTRIES RECOGNIZING "PRG" FAVORED RVN. LACK OF "PRG" RESPONSE TO IPU REQUEST FOR ITS VIEWS, CONTRASTED WITH ABUDENT DOCUMENTATION SUPPLIED BY RVN DEL, PROBABLY HELPED RVN CAUSE, AS DID VIGOROUS CAMPAIGN CONDUCTED BY RVN DEL OVER PAST FEW MONTHS.

END CONFIDENTIAL

BEGIN UNCLASSIFIED

III. ECONOMIC

A. SEPTEMBER EXPORT EARNINGS DISAPPOINTING

PRELIMINARY DATA FROM THE NBVN SHOW THAT EXPORT EARNINGS WERE ONLY US\$4.8 MILLION IN SEPTEMBER, THE LOWEST MONTHLY TOTAL REPORTED SINCE MAY 1973. EARNINGS AVERAGED US\$5.4 MILLION A MONTH DURING THE THIRD QUARTER COMPARED TO US\$7.2 MILLION DURING THE FIRST HALF OF THE YEAR. THE TOTAL FOR THE YEAR THROUGH SEPTEMBER 30 IS 59.6 MILLION COMPARED TO 40 MILLION FOR THE SAME PERIOD LAST YEAR. WHILE THE DOWNTREND OF RECENT MONTHS CAN BE ATTRIBUTED TO A NUMBER OF FACTORS-- HIGHER PRODUCTION COSTS, SECURITY PROBLEMS, AND ADMINISTRATIVE/LEGAL BOTTLENECKS -- THE MAJOR DISINCENTIVE APPEARS TO BE SOFTENING WORLD MARKET PRICES FOR VIETNAM'S EXPORTS. AN EXPORT PRICE INDEX BASED ON VIETNAM'S PRINCIPLE COMMODITY EXPORTS SHOWS THAT BY AUGUST PRICES HAD FALLEN 18 PERCENT FROM THE BEGINNING OF THE YEAR.

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BASED ON THE RECENT TREND, EXPORTS WILL REACH ONLY US\$75 MILLION IN 1974, NOT US\$80 MILLION AS PREVIOUSLY PROJECTED.

B. CONSUMER INDEX UP SLIGHTLY

PRICE INCREASES FOR RICE (ONE PERCENT), CONDENSED MILK (FOUR PERCENT) AND FRESH SHRIMP (EIGHT PERCENT) OFFSET DECREASES FOR SUGAR (ONE PERCENT), CHIECKEN PARTS AND DUCKS (TWO PERCENT EACH) AND MOVED THE FOOD SIDE OF THE INDEX UP A MODEST THREE TENTHS OF ONE PERCENT IN THE PAST WEEK. VEGETABLE PRICES WERE MIXED. THERE WERE NO CHANGES ON THE NON-FOOD SIDE AND THE INDEX AS A WHOLE ENDED UP TWO TENTHS OF A PERCENT, THE FIRST INCREASE IN A MONTH. FOOD PRICES ARE NOW UP 33.3 PERCENT FOR 1974 TO DATE AND 43.2 PERCENT FROM A YEAR AGO. NON-FOOD PRICES, LARGELY REFLECTING IMPORTED INPUTS, ARE UP 43.5 PERCENT SINCE JANUARY AND 74.3 PERCENT ABOVE A YEAR AGO. THE INDEX AS A WHOLE IS 37 PERCENT ABOVE JANUARY 1 AND 53.6 PERCENT ABOVE A YEAR AGO. THE INCREASE SINCE APRIL HAS BEEN 13.3 PERCENT, AND SINCE JULY 1 6.4 PERCENT, OR ABOUT THE SAME IN THE LAST TWO QUARTERS. DEMAND FOR ALL ITEMS, BOTH FOOD AND NON-FOOD APPEARS TO BE SHARPLY OFF, REFLECTING AN ESTIMATED 3 PERCENT REDUCTION IN REAL PER CAPITA INCOME THUS FAR THIS YEAR.

C. CURRENCY AND GOLD QUOTES

THE BLACK MARKET CURRENCY QUOTE FOR US\$100 MOVED TO 672, JUST ABOVE THE LEGAL EXCHANGE RATE FOR THE FIRST TIME SINCE MID-AUGUST. THE RATE FOR US\$10 STAYED SLIGHTLY BELOW AT 666. BLACK MARKET ACTIVITY CONTINUES TO BE AT A VERY LOW LEVEL. THE QUOTE FOR A TROY OUNCE OF GOLD IN US DOLLAR TERMS MOVED UPWARD FROM \$136.05 TO \$139.27 WHILE IN HONG KONG QUOTE WENT FROM \$149.44 TO \$153.51. THE DISCOUNT FROM THE HONG KONG QUOTE INCREASED SLIGHTLY, FROM \$13.39 TO 14.24 PER OUNCE, OR 9.3 PERCENT. (LAST WEEK WE REPORTED THE DISCOUNT PERCENTAGE AT 10.4. THIS SHOULD BE CORRECTED TO 9.)

LEHMANN

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