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PHASE I.

Purpose

The purpose of Phase I is to attempt to persuade Diem and Nhu separately that the Nhus should leave the country for an extended period. The means are continuing the Lodge-Diem conversations; direct approaches to Nhu; "carrot and stick" measures to separate the Nhus from their immediate supporters; and a carefully-tailored public posture to supplement these efforts.

Part A, Phase I, below, describes a possible Lodge approach to Diem.

Part B, below, describes the actions to be taken to isolate the Nhus from their immediate supporters, including a suggested approach to Nhu himself.

Part C, below, describes possible Congressional action to produce pressure on Viet-Nam.

Part D, below, describes the US Government public posture in Phase I, including a proposed statement.

Part E is concerned with the possible evacuation of dependents as proposed by Ambassador Lodge.

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Part A, Phase I

Lodge's Approach to Diem.

Lodge should see Diem and convey the following:

The United States Government feels, as the President indicated in his TV interview, that Diem must take drastic action to recapture the support of his people, repeating the same approach made by Ambassador Lodge in his last meeting, i.e., a long vacation for the Nhus, actions to demonstrate a reversal of the policy of repression, and the broadening of the Government.

However, in the meantime, the United States Government is faced with a crisis of confidence in the Vietnamese Government on the part of the American public and more especially the American Congress. In order to preserve the aid program to South Viet-Nam, which the President sincerely desires to do, it has become politically necessary to disassociate ourselves from supporting those units responsible for the raid on the pagodas. Otherwise, the United States Congress may cut off all aid. Therefore, Ambassador Lodge must reluctantly notify President Diem that assistance to Colonel Tung's programs must be terminated. We will make an attempt to redirect what aid we can on to programs essential to the war effort if this can be worked out.

If President Diem can see fit to take the dramatic actions mentioned above promptly, we feel that we can quickly restore confidence. But we must warn the President that if the situation

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situation continues as it has been we may have to make further cuts--again in order to avoid a total cut of aid. If this becomes necessary we will endeavor to make these in such a way as not to affect the war effort, e.g., the Saigon water works, the Saigon electric power plant, etc.

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Part B, Phase I

1. Objective

To separate the Nhus and their immediate supporters (i.e., Tung Hieu of the Police, Minister Ngo Trong Hieu).

2. Concept of Operations. Actions taken should fall short of seriously damaging the war effort while at the same time indicating that the U.S. will not tolerate the Nhus. The importance of these actions does not lie in physical damage done the GVN but in their psychological effect upon Nhu and company, and upon the potential opposition. These actions must demonstrate U.S. determination not to tolerate the Nhus and their attempts to destroy American prestige. For every overt action, there should be corresponding covert actions designed to split the Nhu power group and further discredit them. The entire operation should be conceived of as a psychological warfare campaign designed to maintain U.S. prestige by dissociating ourselves from the Nhus and discrediting them.

3. Specific Recommended Actions. Actions should be pinned to reportedly ominous signs that the U.S. will not tolerate the repressive actions against the Buddhists or other citizens and will not tolerate and support any persons directly responsible for such actions (i.e. the Nhus and Tung). A Congressional or Senatorial Resolution to this purpose is recommended. (See below).

(1) Overt

a. Requirement for a Signed Statement to Accompany U.S. Aid.

Instruct all U.S. agencies promptly to answer routine requests for support on the merits, but to require a signed statement, in substance:

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"These supplies will not be used in any way to indicate U.S. or GVN support of anti-Buddhist or other unjustified repressive actions, or of those persons connected with or directly responsible for such actions."

Comment: No violent reaction from the President is likely if it is explained to him by the Ambassador that these steps are absolutely necessary to prevent all aid from being severed. Selected instances of this requirement should be leaked to the press--alerting them to check on compliance. Instances of rejection of the requirement should be broadly publicized as evidence of unwillingness to get on with the war. This should be very effective in hastening consolidation of anti-Nhu opinion.

b. Termination of CAS Support to Vietnamese Special Forces by withdrawing CAS-owned equipment. Announce to Special Forces that henceforth no additional funds will be paid through Tung for any projects whatsoever. Other projects may be supported by payment directly to project officers, provided project is in mutual best interest. Any project capable of serving personal ambitions of Nhu or Tung automatically excluded. Actual harm done to war effort or to Special Forces would be slight but it would be a psychological blow of considerable proportions to Tung whose power rests in the eyes of the Vietnamese, not only upon his connections at the Palace but upon apparent unlimited U.S. support for him.

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c. No U.S. participation in any new projects involving Tung - specifically the Hamlet Militia Leader Training Program. Our refusal to participate because of Tung should be announced unequivocally to the GVN; we can accompany this by a counterproposal that the CG/SDC Directorate be put in charge since we consider it a worthy project.

d. Cutting Aid to the Motion Picture Center - Direct U.S. - paid personnel at USOM Mopix Centre and other media activities to refuse to handle or process any material prohibited under 1. above. This may cause temporary termination of U. S. participation in some activities under GVN control, and will certainly evoke inspired local press attacks. Useful activities should be carried on by improvised means, with full publicity for Nhu attempts to impede the war effort, and U.S. continuation of effort.

e. Diversion of Ammunition for Police . - Actual physical effect - negligible but psychological effect considerable.

f. Response to attacks in the Times of Viet-Nam. The Ambassador does not wish to demean himself by protesting officially, however, if the U.S. does not defend itself, this will be interpreted as a sign of weakness--the U.S. will lose face and prestige. Suggested counteractions are leaks by Embassy officials such as "the Ambassador refuses to read the rag because of its notorious reputation for outright lying", or other comments indicating the U. S. considers the newspaper ridiculous.

g. Ambassador makes "unannounced" visits on key Vietnamese

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personalities and key areas. Visits Ministers, JGS, General Don, Dinh, Minh, and others, with the objective of seeking their views and indicating American freedom to talk to whomever we please. Purpose is to build up American prestige and a feeling that we are in charge. Must be carefully stage-managed to avoid embarrassment.

h. Direct immediate procurement in cash, and storage under U.S. control, of approximately 3 million U.S. dollars worth of piastres. The purpose is to make immediately available for essential on-going counter-insurgency programs, the funds already authorized. Possibility of freezing eightier U.S. or provincial bank accounts must not be overlooked.

(2) Covert

a. Suspension of any CAS projects capable of being used by Nhu to build up his prestige and illustrate that the U.S. is continuing to support him. CAS should be prepared to offer recommendations in this regard.

b. Set Dinh and Tung against each other by rumors and reports to Dinh that Tung is plotting to assassinate him, etc.

c. Set Nhu against Tran Van Kiem, Mme Nhu's brother (and thus increase tension between the Nhu's) by getting word to Nhu of what Khiem told Warner about Nhu.

d. Fabricate a document linking Nhu with the DRV thus discrediting him with the Generals.

e. Put out our own black newspaper as a counter to the Times of Vietnam of the regular Vietnamese press.

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4. Suggested Approach to Nhu

Although the approach by Asta and D'Orlandi to Nhu was unproductive, a further approach might be made by John Richardson. If so, the approach should emphasize the strong possibility of aid cuts by Congress and our decision to cut or redirect aid to those units responsible for the raid on the pagodas along the lines of Lodge's conversation with Diem. Richardson should then appeal to Nhu to leave the country for a long vacation out of loyalty to the family, love of country, and to make possible continued US support of the war effort.

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Part C, Phase I

Congressional Action

A resolution expressing the "sense of the Senate" that aid to South Viet-Nam be terminated unless that regime reverses its policies of repression might be useful ammunition for Ambassador Lodge, if it were passed by a substantial margin. With tacit Administration approval, the Church-Carlson resolution has good prospects for passage. In terms of general strategy on the foreign aid bill, such a resolution should be delayed until after Senate passage of the aid bill. Although a case can be made for earlier approval of this resolution, what is contemplated here is not a crash program of sudden aid termination but rather a carefully phased plan which might well benefit from Senate action at a later date.

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Part D, Phase I

U.S. GOVERNMENT PUBLIC POSTURE IN PHASE I

TARGET

Public statements or explanations of U.S. Government actions in phase one should be primarily directed toward those elements of Vietnamese public opinion which our actions are attempting to influence. This means that we should not make it our purpose to inflame mass public unrest. Although demonstrations such as those spontaneously generated by high school students doubtless have an effect even upon fanatics such as the Nhush, on balance they probably result only in more vigorous repression and at the same time more thorough debilitating of the war effort among the "elite". Moreover, agitation whipped up by American public statements which resulted in bloodshed of innocent victims would be an additional burden which we do not wish to bear and which would complicate continued acceptance of our policies here in the United States.

Therefore, since the basic concept is of a surgical operation directed against the Nhu family rather than a massive convulsion in South Vietnam, our propaganda targetting should be ^{similarly} as confined and as precise as we can make it. We should primarily concern ourselves with clarifying what we are attempting to do in the minds of the

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Vietnamese "elite". This "elite" must be made aware that our aims and theirs coincide; that we are merely trying to help them remove obstacles which stand in the way of the achievement of their basic goals. They must be made to feel that we are sharing our confidence with them concerning the actions we are taking in the hope that we can continue to rely upon them to provide leadership stability once we have finished our operation.

Exigencies of the American scene may require us from time to time to elaborate on the basic theme and basic targetting of our public output. On the whole, however, we should be able to rely upon interpretive analysis made by a very active and very well-informed American press in clarifying the significance of our statements to the American public.

METHOD

On the whole the Vietnamese "elite" has a very sensitive grapevine which is alert to the significance of actions taken in the political context. On the whole, therefore, actions may be expected to speak at least as loudly as words in most instances. This fact suggests that our best course might be to let our actions speak for

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themselves without public explanation. Because of the Machiavellian cleverness of the Nhus, however, this course leaves open the possibility that our actions could be so distorted and manipulated as to make their meaning confused even in the minds of the "elite" observers.

Therefore, while still relying primarily upon the actions rather than the words to carry the import of our objectives, it is felt necessary to make limited public statements concerning the purpose of our undertakings. There follows a short public announcement which it is suggested should be made from the White House at the outset of the actions being directed against Nhu in phase one. This should probably be issued after Ambassador Lodge has made clear to President Diem that we intend to move to undercut the authority of the Nhus.

Once this announcement has been made it is not considered desirable to announce each specific step that is taken in implementation of our operation. Instead, on the assumption that the actions taken will become readily and immediately known to the press, we should merely be prepared to confirm each step as it is taken referring back in each instance to the original announcement.

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The Government of the United States is committed to helping the people of Viet-Nam resist and overcome the threat to their peace, security and freedom posed by the subversion and terror of the Communists. We intend to stand by that commitment to the Vietnamese people.

However, recent events in Viet-Nam have demonstrated that some assistance from the United States has been used by certain persons for purposes and in ways repugnant to us. We are determined to prevent these diversions and abuses of our assistance. We have undertaken a review of our aid program and of administrative procedures with a view to taking those actions necessary to halt these abuses by individuals for their selfish ends and to insure that such abuses do not occur in the future.

We believe that these proposed actions by the United States Government will strengthen the efforts of the Vietnamese people in their struggle against the Communists. We think, too, that they will assist Viet-Nam in its efforts to build a stable and popular administration assured of the support of its own people.

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Part E, Phase I

EVACUATION OF AMERICAN DEPENDENTS

Evacuation of dependents, as suggested by Ambassador Lodge, might prove to be an important pressure weapon on the GVN. However, it is tricky in its handling. On balance, it seems wise not to order a mass evacuation, but rather a selective evacuation of certain dependents. (Special means for financing the evacuation and a subvention for split families will have to be found.)

No public announcement would be contemplated. Selective evacuation will, however, probably become known to the press, in which case replies to press queries would be made that certain families have decided to take advantage of means made available to enable them to get away from the tensions in Viet-Nam.

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Phase II.

Purpose

The purpose of Phase II remains the same as in Phase I. The means are highly selective cuts and redirection of U.S. aid designed to avoid as much as possible hurting the war effort but underlining our determination to bring about a change in the Vietnamese Government and policies.

Part A.

Lodge approach to Diem: Lodge should continue his conversations with Diem reminding him of the conversations in Phase I and stating that reluctantly the United States has decided to proceed with the aid cuts Lodge had earlier mentioned--again in order to preserve the program as a whole from a total cut-off by Congress.

Lodge should then warn the President that still further aid cuts might be necessary to avoid losing the whole program on Capitol Hill (Phase III specifics to be worked out).

Part B.

Selective aid cuts: An analysis of the aid cuts contemplated in Phase II follows:

Background Factors

(1) The AID commercial import program and PL 480 deliveries constitute approximately 60-70% of South Viet-Nam's imports.

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(2) Piaster counterpart therefrom constitutes approximately 70% of the GVN military budget.

(3) GVN reserves amount to about \$170 million, i.e., approximately 10 months import cover at 1962 levels.

(4) The SVN general supply and stock position, both economic and military, is good.

(5) So long as the GVN can effectively administer its budget and so long as it can allot foreign exchange from its own reserves, the impact of aid cuts will be psychological rather than real in the short run. The psychological impact is greatest if it is credible that measures taken foreshadow all-out determination to suspend all U.S. aid for political or other reasons.

Action

The aid cuts recommended in Phase II of the Government's program of pressures on the GVN follow:

1. Withhold CIP allotments not yet made for August and not being made in September.

(CIP pipeline will remain relatively solid for about 4 months, then decline to virtually nil in about 8 months. Notwithstanding the negligible economic effect of making no allotments, the psychological effect upon the Saigon business community would be profound and could well provoke hoarding, speculation, price rises and general anxiety, if not panic, about the economic outlook.)

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2. Publicly announce cancellation of U.S. support of the Saigon Water Works (\$17.5 million) and the Saigon Electric Power Plant (\$12.7 million).

(These two projects are known to be highly valued by Diem, are conspicuous evidences of long-term U.S. interest in the City of Saigon's development, and are now under way with completion dates 1-1/2 to 2-1/2 years hence. Suspension of these projects would have a conspicuous impact upon public opinion in Saigon and would have to be regarded by Diem as evidence of the seriousness of U.S. doubts regarding its long-term aid intentions in SVN. Cancellation of existing contracts would be costly to the United States and renewed construction would present real difficulties and added expenses. This action might be a more credible reflection of U.S. determination than verbal threats or warnings of possible future U.S. moves. The action should be publicly justified as indicating the uncertainties of the United States over the wisdom of long-term investments in the absence of basic structural changes in the GVN which offer promise of the long-term security and stability of the country.)

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3. Publicly announce continuation of U.S. support of ongoing programs related to support of the military establishment, counter-insurgency, strategic hamlets, and the social and economic development of the countryside.

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