1. The Viet Cong (VC) Lunar New Year attack on Phu Vinh City, capital of Vinh Binh Province, overran the city so quickly that the people have lost all confidence in the government of Vietnam (GVN) and now speak of a probable VC victory against the GVN.

2. In contrast to their attitude toward the GVN, the people praised the defense conducted by the Army of the Republic.

VC CADRES SPOKE CAMBODIAN. IT WAS NOT UNTIL TWO DAYS LATER THAT ARVN FORCES REENTERED THE CITY, AND IT REQUIRED 18 DAYS OF COMBAT TO REMOVE THE LAST VC PRESENCE FROM THE CITY, DURING WHICH IT WAS BADLY DAMAGED BY ARTILLERY AND AERIAL BOMBARDMENT.

4. BY THE END OF FEBRUARY POPULAR MORALE WAS STILL EXTREMELY LOW. THE PEOPLE FEARED ANOTHER VC ATTACK AND DOUBTED THE GVN'S. ABILITY TO DEFEND THEM. LOCAL GVN ADMINISTRATION WAS STILL DIS- ORGANIZED, NO ACCURATE ESTIMATE OF LOCAL DAMAGE AND CASUALTIES HAD BEEN MADE, AND NO EFFORT TO CLEAR AWAY THE DEBRIS OR TO REASSURE THE PEOPLE HAD BEEN ATTEMPTED.

COMMENT -- DOUBTED THAT ANYTHING THE GVN MIGHT SAY OR DO COULD RESTORE POPULAR CONFIDENCE IN THE GVN.