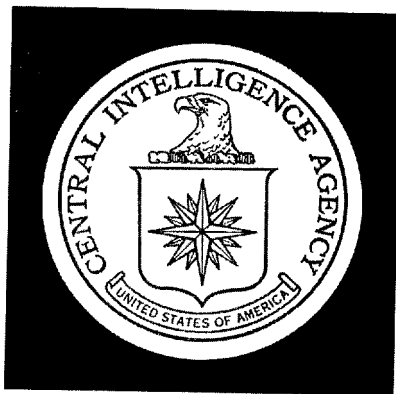


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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Situation in South Vietnam *(Weekly)*

Secret

145

29 May 1967
No. 0352/67

USAID review

State Dept. review

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CENTRAL INTELLIGENCE AGENCY
 Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
 (22 May - 28 May 1967)

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I. POLITICAL SITUATION

The leading civilian contender for the presidency, Tran Van Huong, made his candidacy official on 25 May. On the 26th, Premier Ky told reporters that he will remain a candidate even if Chief of State Thieu officially enters the race. Thieu's ultimate intentions concerning the presidency are still unknown. Meanwhile, the ruling Directorate has sent a request to the Constituent Assembly that it alter the electoral laws so that the presidential and upper house elections are held on the same day.

Former Premier Announces Presidential Candidacy

1. Former premier Tran Van Huong announced on 25 May from his residence in the coastal city of Vung Tau that he will be a candidate in the presidential election. He has not yet designated a vice presidential running mate. Although Huong's entry in the race had been widely assumed, he had previously hedged somewhat by declaring that his formal announcement would depend upon the fairness of the presidential electoral law. Huong has expressed some dissatisfaction with the law as it now stands, but apparently considers it no major obstacle.

2. Earlier, Huong indicated to US Embassy officers that he had found a running mate, whom he described as a civilian, a Buddhist, and a man known for his integrity. There are indications that Huong's choice might be southern Buddhist lay leader Mai Tho Truyen. When contacted on 20 May by a US Embassy officer, Truyen indicated that he was seriously considering offers to run as a vice presidential candidate. During the conversation, Truyen also spoke out emphatically against the current involvement of the military establishment in the government and in politics.

3. A Huong-Truyen ticket would most likely prove very attractive to ethnic southerners, but would offer

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no regional appeal to residents of central Vietnam. In light of the qualities and reputations of the two men, "integrity instead of corruption" is likely to become the theme of their campaign.

Ky to Remain a Candidate

4. On 26 May, Premier Ky told newsmen that he intends to remain a candidate even if Chief of State Thieu does formally enter the race. [REDACTED]

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[REDACTED]

Ky is

clearly off to the fastest and strongest start of any of the potential presidential aspirants. He has been soliciting the support of the Hoa Hao and Cao Dai religious sects and of a prominent faction of the VNQDD (Nationalist Party) in I Corps with apparent success, and claims that he can depend on them for at least one million votes.

5. Ky has also been stumping in the provinces for some time, taking advantage of his frequent ceremonial functions to woo diverse elements among the religious sects, the montagnards, the peasantry in general, and more recently, the sizeable Chinese community. Additionally, in a step fraught with political overtones, he was instrumental in granting a rice bonus on 17 May to the military and civil servants. On the other hand, Ky's recent firm reproach to the Saigon press community concerning the need to exercise more accuracy and loyalty to the country may have been politically expedient, but is not likely to garner him many friends among newsmen or among the civilian-oriented members of the Constituent Assembly, which will draft press regulations, probably prior to the presidential election.

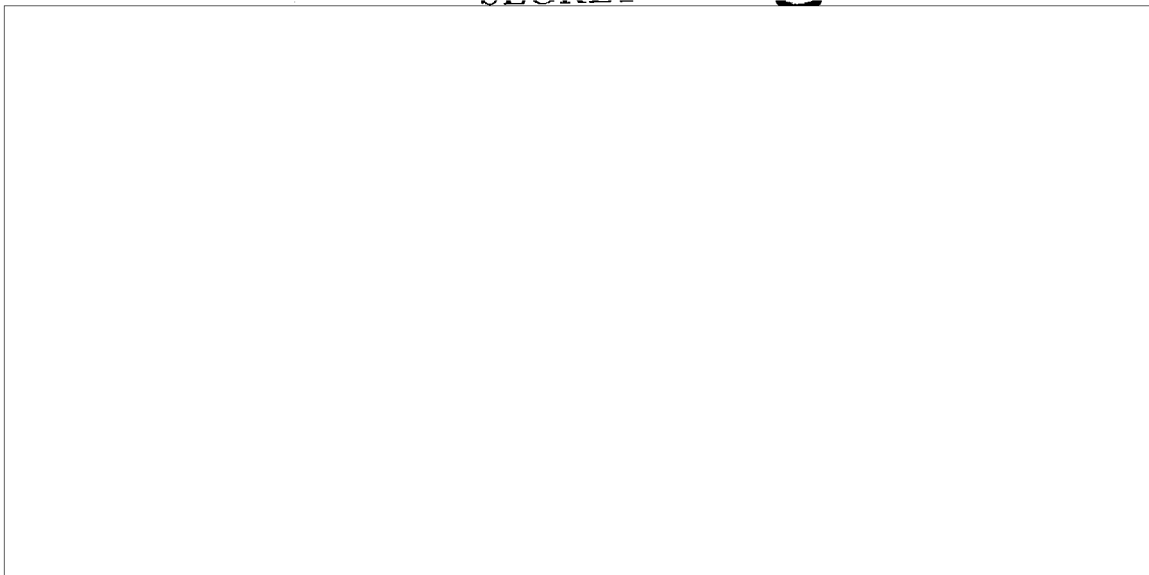
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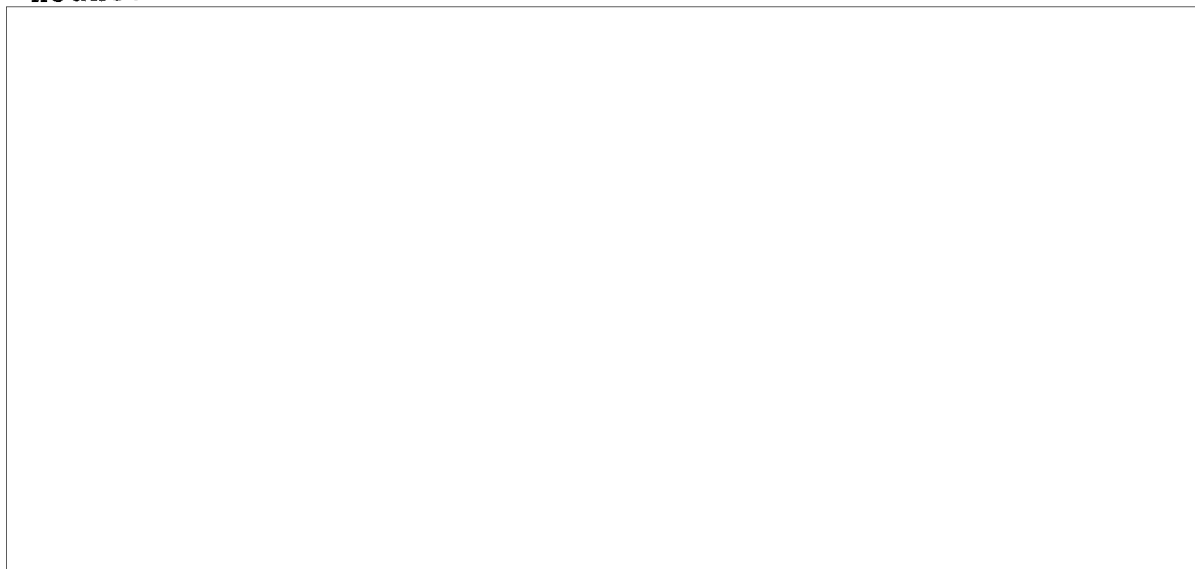
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Chief of State Thieu Delays Announcement

8. Chief of State Thieu has still not officially announced his candidacy, and predictions regarding his intentions range from a future public commitment to run to a political "deal" with Premier Ky for the removal of Police Director Loan in return for Thieu's withdrawal from the contest. One of the latest indications of Chief of State Thieu's still unofficial intention to oppose Premier Ky for the presidency appeared in the Vietnam press on 21 May. Thieu's press officer reportedly said that Thieu "has decided to run for the presidency" and that he will "officially announce his decision on a convenient date."



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Directorate Requests Electoral Law Changes

10. On 26 May, the Directorate submitted a letter to the Constituent Assembly outlining its recommendations for changes in the presidential and upper house election laws. The proposals include a rescheduling of the upper house election from 17 December to early September, simultaneous with the presidential election, and deletion of the provision stipulating that presidential candidates must be introduced by 30 elected representatives.

11. The government is apparently so annoyed with the delay in upper house elections that it was reportedly prepared, as of earlier in the week, to induce the resignation of enough deputies to discredit the assembly and give the government sufficient cause to dissolve it and call for immediate National Assembly elections. In the opinion of several deputies, however, such drastic measures may be avoided by the submission of the Directorate's letter.

12. The Directorate's decision to reject part of the Assembly's electoral laws apparently reflects a number of views held by Chief of State Thieu, and this minor victory may well encourage him to pursue his presidential ambitions in earnest. Although Thieu may have won a consensus within the Directorate supporting his views of the electoral law, he must still win over the Ky group of some ten influential generals before he can pose any decisive threat to Ky's present control of important government vote-getting machinery. Most of these generals have opted for Ky in the past few weeks, but some of them could still possibly switch their loyalties or decide not to support either man openly.

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II. REVOLUTIONARY DEVELOPMENT

The Revolutionary Development (RD) program in III Corps has made little progress thus far in 1967; no extensive breakthrough has yet been made in the security situation and the local population remains generally apathetic. Among the recent successes of RD cadre are the assistance being provided by Truong Son teams to refugees in Lam Dong Province, the establishment of the first New Life Hamlet Farmers' Association in Tay Ninh Province, the voluntary relocation to an RD area of villagers in Kien Hoa Province, and the elimination of two important Viet Cong cadres in An Xuyen Province.

In the field of urban development, self-help projects are moving ahead in Saigon and in Qui Nhon city. US advisers have apparently headed off a haphazard distribution of weapons to recently elected village and hamlet officials. Another significant step has been taken in the use of Hoi Chanh (Viet Cong ralliers) to meet government manpower needs, this time to work in mobile refugee teams. In the period 14-20 May, 538 persons rallied to the government under the Chieu Hoi (Open Arms) program. The returnee total so far in 1967 is now 72 percent of the total for the calendar year 1966.

Revolutionary Development and Security in III Corps

1. The Revolutionary Development program in III Corps has made little over-all progress in 1967. Despite the presence of large numbers of South Vietnamese and allied forces in the corps area, no extensive breakthrough has been made in the security situation that would enable RD to take hold and develop on a broad scale. Almost equally important factors in the

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lack of RD progress, however, are the apathetic attitude of the Vietnamese populace toward the political and military situation, and the inertia and apathy of local government officials, who have been additionally tasked this year with the responsibility of conducting the village/hamlet elections.

2. Security around province and district towns in III Corps has improved somewhat in the past 16 months, but there is a considerable disparity between the number of people under some degree of government control and the small amount of land over which the government holds sway. Large allied sweep operations have disrupted Communist lines of communication and supply channels, and have forced them to relinquish certain areas at least temporarily. But in spite of such setbacks plus the heavy casualties suffered by the enemy, the over-all Communist threat to the III Corps area remains essentially undiminished.

3. South Vietnamese forces in III Corps--reportedly comprising the worst combat units in the Vietnamese Army (ARVN)--are very much involved in RD, with 17 of the 34 battalions in the corps committed to the direct support of RD. At least seven of these battalions are under the operational control of various province chiefs, while the remaining battalions are operating under the control of their parent unit commanders.

4. Lack of RD progress in III Corps can perhaps be partially attributed to poor leadership by the RD councils of the ARVN 18th (previously the 10th) and 25th divisions. On the other hand, the 5th Division RD council has reportedly been doing an excellent job. Paralleling the initiatives taken by the 22nd Division in Binh Dinh Province of II Corps, the 5th is selecting suitable ARVN soldiers to be utilized as ad hoc development teams in hamlets that are not scheduled to be worked under the 1967 RD program but nevertheless afford a fertile development ground.

5. Several months ago, the III Corps commander issued a directive that placed the RD teams under the operational control of district chiefs and limited the role of local RD councils to administrative and logistical support. This move was heartily endorsed by advisory personnel who apparently have been seeking ways to by-pass what have been--except in Binh Long and Long

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An provinces--ineffective provincial and district RD councils. Apparently, however, the district chiefs have only recently been informed through their own channels of authority that they are, in fact, now operationally responsible for the teams.

6. As of 1 May, III Corps had 62 RD teams, 14 Truong Son teams, and 965 hamlet Static Census Grievance Cadres (SCG) in the field. The average strength of the RD teams as of 1 May was 43 whereas the Truong Son teams had an average strength of 42. The total strength of RD workers in the corps was 4,784, with approximately 1,000 more in training at Vung Tau.

7. Only one province in III Corps--Tay Ninh--has reported that it is ahead of its 1967 RD schedule. The program in Tay Ninh has received good support from provincial officials, and the 2,100-man Philippine Civic Action Group had aided immeasurably. US officials, however, do not feel that provincewide there has been any improvement in security thus far this year.

8. Three provinces--Long An, Long Khanh, and Phuoc Long--have reported their RD programs on schedule. In Long Khanh, however, the lack of security, the misconduct of ARVN forces, the ability of Communist forces to come and go at will in several hamlets where RD teams are operating, and local public contempt for government leadership--due to the apparently high degree of corruption and graft--indicate that much of the RD effort in Long Khanh may only be a "paper exercise."

9. In Long An Province, in spite of a continued high level of enemy-initiated activity, and a generally unimproved security situation, there have been positive accomplishments by the RD and SCG teams

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though coordination between provincial government agencies leaves something to be desired, the RD program receives support from most of the provincial officials.

10. In spite of the Communist domination of Phuoc Long Province--the government controls only 41 of 90 hamlets and there are, practically speaking, no secure roads--the somewhat limited RD effort is on schedule and the RD and Truong Son teams are performing satisfactorily. Public attitudes toward RD and the government are favorable although there has been little interest in the recent village/hamlet elections.

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11. Bien Hoa Province is apparently the only province in III Corps where the security situation is noticeably deteriorating. Failure, like success, has a snowballing effect: the RD council has performed unsatisfactorily, the teams are reportedly not properly deployed, the SCG have devoted themselves to collecting tactical intelligence rather than socio-political intelligence, and there is inadequate coordination between all efforts in the RD programs.

12. [REDACTED]

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[REDACTED] the provincial officials show neither interest in nor understanding of the role of the RD teams. Moreover, the residents of the province apparently do not respond to RD per se but only to projects that are designed for their economic betterment.

13. [REDACTED] the basic security balance also remains unchanged in Binh Duong Province. The general attitude of the people of Binh Duong toward RD is one of apathy, and this is reflected in the chronic difficulties experienced in getting them to contribute labor to projects for which they have requested and received materials. The morale of the RD teams in Binh Duong has not been good, but provincial officials-- who give good support to RD--have made or proposed changes in RD team leadership to alleviate this problem.

14. Binh Long Province is apparently the only really "bright spot" in III Corps. Primarily as a result of the increased operational presence of US troops, over-all security in Binh Long has improved and provincial officials have been quick to implement the RD program. Morale in the heavily populated areas of the province appears to be excellent and the people seem to be showing more than average responsiveness to the government. The opening of Route 13 in Binh Long has alleviated some of the past economic hardships, and this has no doubt contributed to the populace's good morale. The RD and Truong Son teams in Binh Long are performing adequately, although [REDACTED] the Truong Son teams would perform even better with more logistic and advisory support.

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15. In Gia Dinh Province, inadequate coordination continues between the various segments of the RD program, and official inertia and misuse of the RD teams persists despite the efforts of advisers to bring about change. Despite, or perhaps because of, Gia Dinh's proximity to Saigon, government leadership in the province is poor and the local populace is about the most indifferent in all of III Corps to the political and military situation. The Communists reportedly can enter 65 percent of the hamlets in the province with comparative impunity even though several long-term US/ARVN security operations are under way.

16. In Hau Nghia Province, Communist influence has traditionally been strong, and rapport between US and ARVN forces has lagged. The 1967 RD program is at least two months behind schedule, although officials feel that 75 percent of the RD program can still be accomplished.

17. Due to the conflicting attitudes among the residents of Phuoc Tuy Province and to a lack of information on allied and government activities, a meaningful assessment of RD progress is difficult. Local security has apparently improved over the last year, but unsatisfactory RD progress as well as misuse of the RD teams has been reported. Phuoc Tuy is the only province in III Corps to make an unfavorable report on the SCG cadres, whose performance elsewhere in the country has been one of the most outstanding and successful areas of the RD program.

18. In the Vung Tau Autonomous Area, the RD effort has suffered from the inertia of local officials and the improper employment of the understrength RD teams. The SCG cadre, however, have had a "highly favorable" impact in the area. Security is primarily the responsibility of the National Police and the Popular Forces, who apparently have responded satisfactorily to the task.

19. US officials have indicated that in spite of apathetic provincial officials in Binh Tuy Province, the RD teams there are performing adequately. The only other RD program in Binh Tuy about which information is available is civic action, in which one ARVN battalion and the local forces have performed satisfactorily.

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[REDACTED]

Other Revolutionary Development Activities

20. In an effort to deny the growing Communist force in Lam Dong Province access to the rural populace, two Truong Son teams are helping 572 residents of a montagnard settlement to move to a more secure area. The new province chief--who has earned a measure of respect by staying aloof from the alleged corruption of other provincial officials--is trying to resettle the people in a model hamlet and to demonstrate to other montagnards in the province that the government can and will take care of them. In addition to using the Truong Son teams, the province chief is encouraging civil servants in the province to help by donating time to the relocation project.

21. In Tay Ninh Province, the first New Life Hamlet farmers' association has been established through an RD team's efforts. The team encouraged and helped the farmers to set up the organization and to conduct an election of three officers to head the 128-member association. The association's first project has been to lend water pumps and sprayers--supplied by the provincial agriculture service--to its members.

22. In Kien Hoa Province, RD teams have been working in an area of Giong Trom District, adjacent to the province capital. The population in this area has grown over the last several months from 300 to 1,900 people, the majority of whom reportedly moved from areas of the province that are in Communist control. Most of the people have settled on government-owned land that has either been loaned to them for their use or else has been rented to them for a nominal sum.

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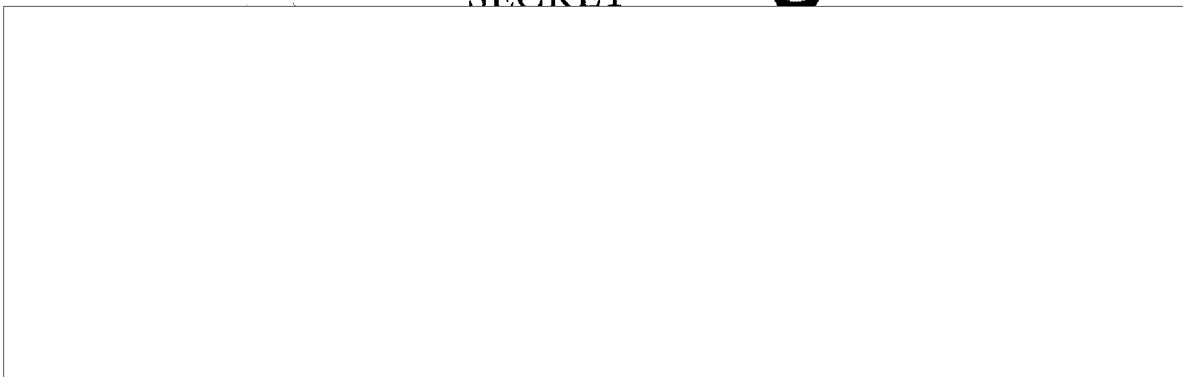
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"New Life Development" Activities

24. Urban Development: According to a survey conducted by JUSPAO, the people of Saigon continue to have negative attitudes toward the municipal government and the services provided by it. Over the past several years, municipal services have been overburdened by the growing population and, because of the low salaries offered, the city has been unable to hire the needed additional personnel.

25. The Saigon city council recently approved its first self-help program, providing 25 million piasters for approximately 300 planned projects that were submitted by the municipal district chiefs after consultations with their constituents. In certain areas of Saigon--such as District 6--the residents have shown a good deal of civic cohesiveness. In the 6th District, the residents elected a flood relief committee preparatory to the oncoming rainy season, which always causes serious flood conditions in their area.

26. In Qui Nhon city, Binh Dinh Province, construction of streets, sidewalks, drains, and related public facilities is under way. Residents of the city--which is subdivided into 15 hamlets and has a total population of approximately 120,000--have established voluntary associations to clean up the beach area, reduce juvenile delinquency, and conduct sanitary inspections of restaurants and bars. Civic action by military units--particularly US units--is being coordinated by the USAID municipal adviser and integrated into town planning.

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27. Rural Reconstruction: US advisory efforts have apparently prevented the Special Commission for Administration (SCA)--a subordinate of the Ministry of Revolutionary Development (MORD)--from implementing a rather ineffective plan to provide weapons to village and hamlet officials. The SCA, through MORD, had requested weapons and ammunition for elected or appointed village and hamlet officials other than members of the village councils. Weapons instruction was to be included in the training courses that the SCA is to conduct in June and July for the village and hamlet officials, and the weapons were to have been distributed in August.

28. Under the SCA plan, 5,600 Smith and Wesson .38 caliber revolvers would have been issued to the officials and 12 shotguns would have been issued to each village that conducted an election in the period 2 to 30 April. Apparently the SCA made no provision for consideration of the local security situation--in many secure villages the weapons are not necessary and in others a dozen shotguns and a few pistols would be inadequate. Moreover, the SCA did not take into consideration what other government forces were in the village area to augment the light defensive capability that these weapons could provide. US officials were also concerned that many of the weapons would find their way into the hands of Communist forces.

29. The security of the village/hamlet officials after the election has now been made the firm responsibility of the National Police, and they are apparently working on an integrated security plan.

30. After initial reports of difficulties in recruiting personnel to be sent to the Philippines for community development training, MORD has apparently succeeded in filling its quota. Ten participants from MORD and five from the Ministry of Youth--another subordinate agency of the MORD--have been processed for the course, which should begin in late May or early June.

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31. Refugees: The Special Commission for Refugees (SCR) has reached an agreement with the Catholic Relief Service whereby the latter will provide 15 teams to work in refugee centers. Each team will be composed of five specialists--a nurse, a child welfare worker, a community development worker, and two additional specialists as required. Funding will be jointly provided by USAID and the Catholic Refugee Service.

32. Dr. Que, the chief of the SCR, and Colonel Pham Anh, under secretary of state for information and Chieu Hoi recently concluded an agreement whereby 32 Hoi Chanh will participate in Refugee Mobile Team programs. This is another significant step forward in utilization of the Hoi Chanh by the government. Prior to joining the mobile teams, the new recruits will receive training at a center operated by the Community Development Foundation for the SCR.

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III. ECONOMIC SITUATION

During the week ending 15 May the weekly retail price index for Saigon rose to its highest level since 13 March. Currency and gold prices declined on 15 May after having risen on 8 May for the first time in many weeks. Premier Ky has announced a monthly cash bonus and rice-purchasing plan for all government employees and servicemen. The new joint US-GVN economic committee established by Governor Hanh on 4 April reportedly is off to a promising start.

Prices

1. During the week ending 15 May the USAID weekly retail price index for Saigon rose by two percent to its highest level since 13 March. The increase resulted largely from higher prices for fish, chicken, and some vegetables. Most rice prices also rose, but the price of the type of rice used in calculating the index was unchanged from 8 May at 27 piasters per kilogram. This price is ten piasters higher than the price at the beginning of the year. The embassy feels that the rising price of domestic rice during recent weeks may result from the fact that imported rice is not reaching the market in sufficient quantities although stocks are adequate. Prices of some nonfood items such as charcoal, firewood, and laundry soap increased, while the price of cloth declined slightly. (A table of weekly prices in Saigon is included in the Annex.)

2. Wholesale prices of certain US-financed imported commodities generally edged downward during the week ending 16 May. The over-all index was unchanged from the previous week, however, as the price of cement rose slightly for the first time since 4 April.

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Currency and Gold

3. Currency and gold prices declined on 15 May after having risen on 8 May for the first time in many weeks. The price of dollars fell to 152 piasters per dollar, or five piasters below the previous week. The price of gold fell by eight piasters to 200 piasters per dollar. The rate for MPC (scrip) fell by four piasters to 108 piasters per dollar, or ten piasters below the official rate. None of the rates, however, declined to the level reached on 2 May. (A graph on monthly and weekly currency and gold rates is included in the Annex.)

"Rice Bonus" for GVN Employees

4. On 17 May, Premier Ky announced a cash bonus and rice-purchasing plan for all government employees and servicemen to become effective 1 June. This plan is a modification of the cash "rice bonus" reported earlier. Each civil servant and serviceman will receive 200 piasters per month regardless of position or rank. Civil servants and regular military forces, who now receive a family allowance, will also receive 200 piasters per month for each of their dependents. The bonus will also be granted to ex-servicemen, widows and orphans of men killed while in the armed forces, RD cadre, retired civil servants, and all local officials. In addition, the GVN will undertake to make 12 kilograms of imported rice per month available to all of these groups through selected retail outlets at a price of 16 piasters per kilogram. Until now the GVN has been subsidizing the sale of rice in special commissaries to military personnel at 8 piasters per kilogram and to civil servants at 11 piasters, while imported US rice is sold to all purchasers in the retail market at 16 piasters per kilogram, still about one third below the actual cost. Even with the increase in the price of rice to GVN employees, the bonus will result in fairly sizable net wage increases, especially for those in the lower income classes and those with large families. The combined effect of the bonus and the rice plan is to make the entire amount of salary prior to the increase available for expenditures other than rice.

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5. Ky also announced a US grant of \$42 million, or about five billion piasters, to the Vietnamese military supply service for purchasing foodstuffs for resale at low prices to families of soldiers. The US will stipulate, however, that no rice be purchased with this grant and that, in view of the bonus, all rice sold in commissaries be sold at the prevailing market price.

6. The GVN calculates that the total of employees plus qualified dependents who will receive the cash bonus is roughly three million, resulting in a yearly cost of 7.2 billion piasters. The embassy believes, however, that the number of recipients may be underestimated. By raising the price of imported rice to GVN employees, however, the government subsidy on rice imports will be reduced. The net effect of the bonus on GVN spending will thus be somewhat less than the actual cost of the bonus, but embassy officials are not now able to fix this amount or the total impact on purchasing power. Any increase in the GVN budget adds to inflationary pressures, but GVN officials apparently felt that some form of wage increase for government employees was necessary in order to improve their morale as well as their real income position relative to that of employees in the private sector of the economy. Undoubtedly, the coming presidential election provided an additional motive, and the US is concerned that Ky's speech marks the beginning of piaster spending as part of his election strategy.

Joint Economic Committee

7. The new joint US-GVN economic committee established by Governor Hanh on 4 April reportedly is off to a promising start. Hanh is the presiding officer and USAID Director MacDonald acts as chief US representative. The work of the committee is carried out by ten joint subcommittees, chaired by Vietnamese, covering various problem areas in the economy. US officials cite four factors as the basis for their initial favorable evaluation: 1) the committee has forced the two governments to arrange staff coordination on major problems at lower levels than had formerly been the case; 2) it has forced systematic treatment of problems that

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too often in the past were handled in piecemeal fashion; 3) it has put considerable pressure on GVN officials to perform and to exert leadership; and 4) it has successfully solved certain policy and operational problems.

8. Performance of the subcommittees has been uneven, with most activity and initiative coming from the subcommittees on security stocks and on rice and pork. Both of these are chaired by Pham Kim Ngoc, who came into office with Hanh as his deputy. Subcommittees responsible for public development projects, fiscal reforms and customs, and ports have not yet met. The performance of the agriculture subcommittee under Secretary of Agriculture Tri has been disappointing since Tri has shown little interest in pushing for action programs.

9. The complex committee structure with subcommittees and working groups within subcommittees reflects the fact that US economic relations with the GVN touch a great number of areas. US officials hope that at some later date the organization can be simplified. The US would like to see the subcommittees gain enough stature so that by this fall when an elected government comes into being the joint economic committee will be an accepted institution recognized as promoting the development of sound economic policy for South Vietnam.

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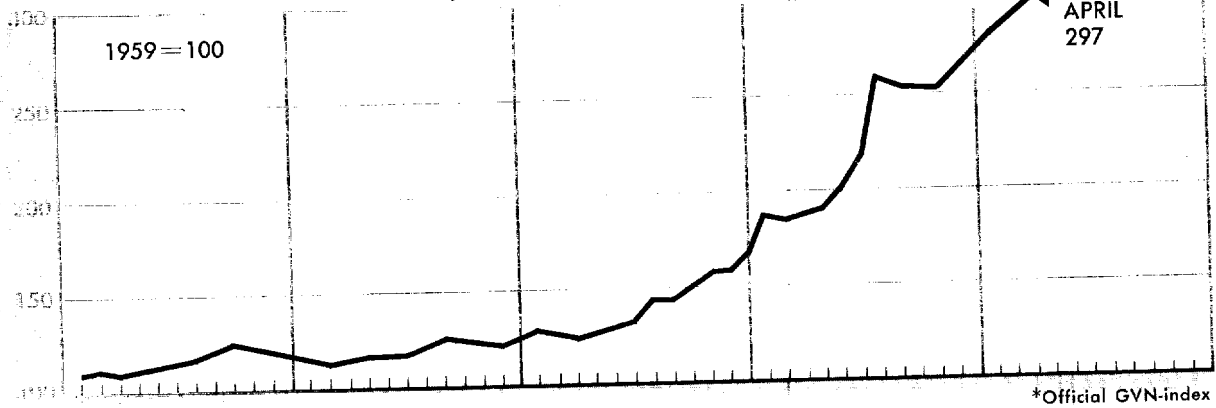
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TABLE
Weekly Retail Prices in Saigon a/

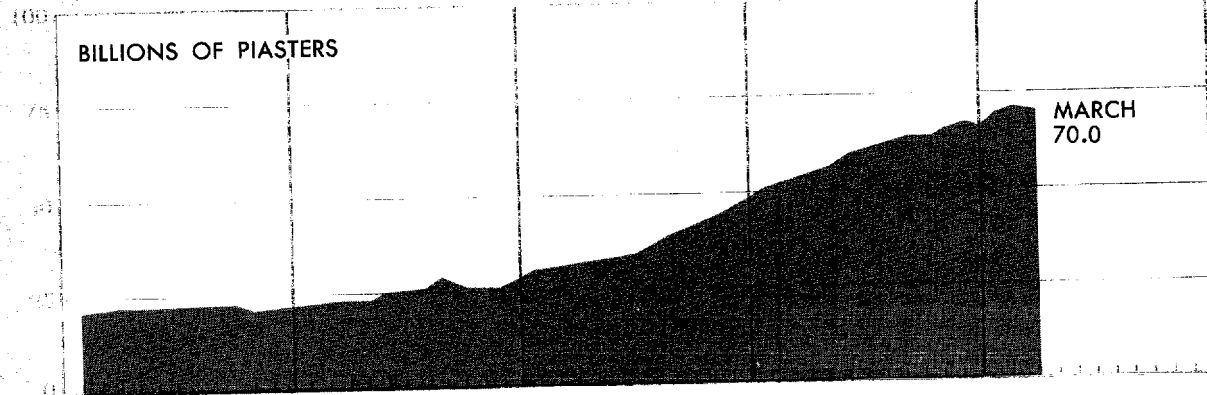
	13 June 1966	b/	16 Aug. 1966	b/	24 Apr. 1967	2 May 1967	8 May 1967	15 May 1967
Index for All Items	<u>173</u>		<u>211</u>		<u>254</u>	<u>260</u>	<u>260</u>	<u>266</u>
Index for Food Items	<u>190</u>		<u>216</u>		<u>282</u>	<u>289</u>	<u>289</u>	<u>298</u> c/
Of Which: (In Piasters)								
Rice-Soc Nau (100 kg.)	1,250		1,450		2,550	2,600	2,700	2,700
Pork Bellies (1 kg.)	90		100		150	150	130	130
Fish-Ca Tre (1 kg.)	130		170		150	150	50	170
Nuoc Mam (jar)	70		85		150	150	150	150
Index for Nonfood Items	<u>140</u>		<u>190</u>		<u>202</u>	<u>206</u>	<u>207</u>	<u>208</u> c/
Of Which: (In Piasters)								
Charcoal (60 kg.)	460		600		640	650	660	670
Cigarettes (pack)	10		14		14	14	14	14
White Calico (meter)	27		37		31	31	31	30
Electricity (kwh)	4.2		N.A.		5.2	5.2	5.2	5.2

- a. Data are from USAID sources. For all indexes 1 January 1965 = 100.
b. Price levels just prior to and two months after the 18 June devaluation.
c. Preliminary.

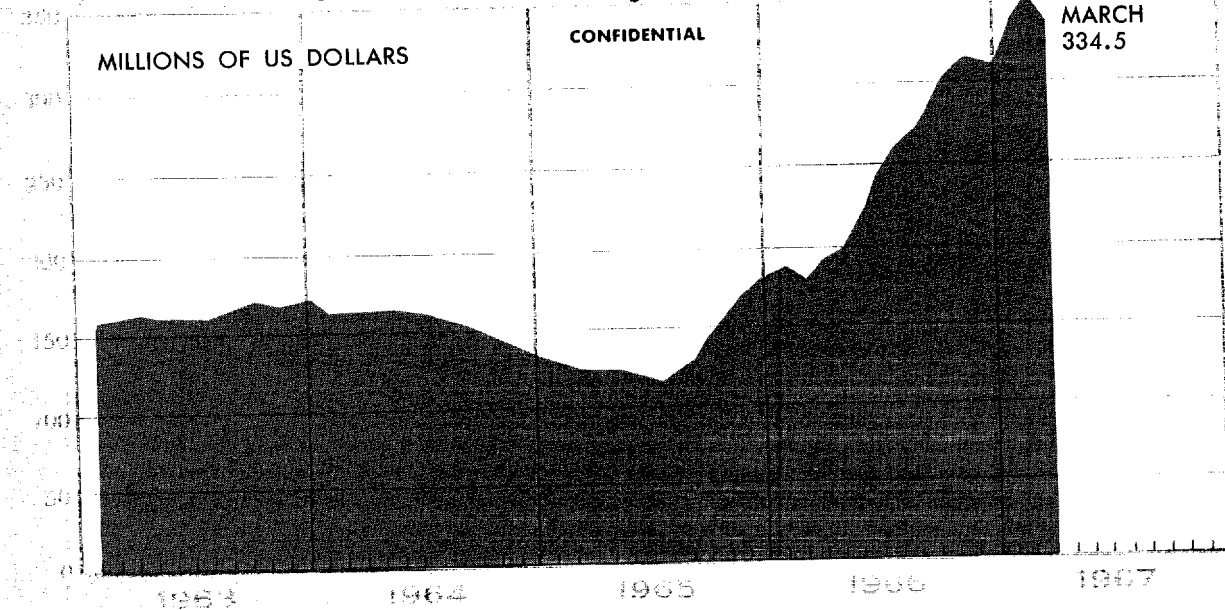
Saigon Cost of Living Index* (For Working Class Family)



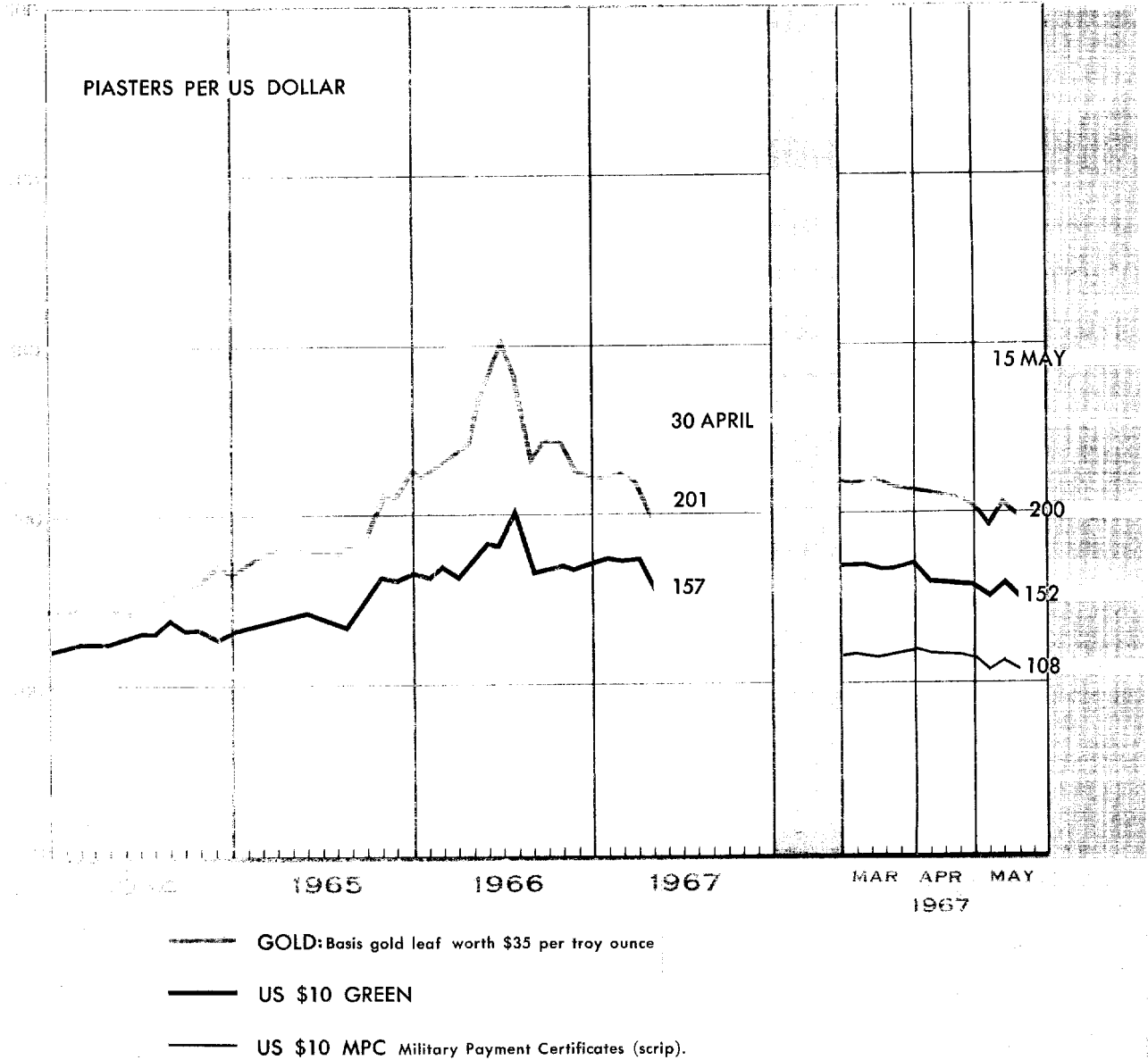
South Vietnam Money Supply



South Vietnam Foreign Exchange Reserves



Saigon Free Market Gold and Currency Prices



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