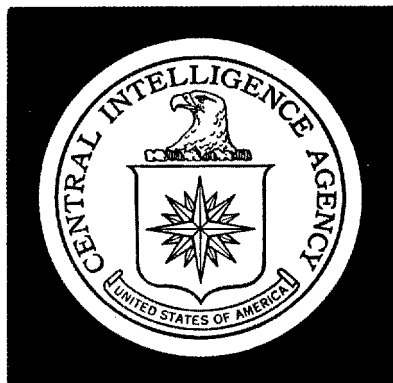


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DIRECTORATE OF  
INTELLIGENCE

# Intelligence Report

## *The Economic Situation in South Vietnam* (Biweekly)

State Dept. review completed

USAID review completed

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence

The Economic Situation in South Vietnam

Summary

Since the passage of the land-to-the-tiller program in March, many tenant farmers reportedly have stopped paying rent to their landlords. The government apparently has decided to accept this de facto elimination of rents as official policy in order to maximize the political impact of the land reform.

In order to replenish foodstuffs and other supplies captured or destroyed by Allied forces in Cambodia, the Viet Cong have ordered a speed-up in tax collections in the delta.

Retail prices in Saigon rose 24 percent during the first half of 1970 compared with an increase of only 10 percent during January-June 1969. Black market currency and gold prices declined during the two weeks ending 6 July.

ANNEX: Currency and Gold Prices (Graph)

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Elimination of Land Rent

1. The land reform program enacted in March 1970 apparently has resulted in the virtual elimination of rent payments by tenant farmers. When the hand-to-the-tiller law was passed, officials indicated that rent payments to landlords would cease at the time the tenant's application for title to the land was approved. Since March, however, there reportedly has been some resistance by farmers in the delta to continued rent payments, and the government has decided to maximize the political impact of land reform by eliminating rent for all tenant farmers at the same time. Although the decree to implement the land reform program, which was signed by the prime minister early in June, does not specifically state that rents are terminated, it provides that all cultivated lands subject to the law are considered to have been expropriated as of 26 March 1970, the day the law was promulgated by President Thieu. The implication of the implementation decree is that the land is no longer the property of the landlord and that he is not entitled to collect rent. The implementation decree has not yet gone into effect, but US officials are confident that immediate termination of rents, which apparently already has occurred in many areas, will become official government policy.

2. The remission of rents will be a real benefit to the more than 500,000 tenant farmers who otherwise might have had to continue paying rent for several years while waiting for title to the land. At the same time, however, it will adversely affect the landlords who will lose all rental income but will not be paid for their land until some unspecified future date. For those landlords whose incomes consist largely of rents, the Ministry of Land Reform and Agriculture is considering some kind of advance payment procedure or special loan until final payment can be made. Officials also are proposing that landlords be given an additional payment for their land, which would compensate them for the delay between expropriation and compensation.

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3. During the past year the lot of most South Vietnamese farmers has improved considerably. There was a good crop combined with high farm prices, improved security which resulted in less Viet Cong taxation and greater access to markets for both purchases and sales, and now the elimination of rent. In view of these improvements in the rural economy during a period when real income of urban workers, especially government employees, declined substantially, some officials believe that on grounds of equity the government should begin a serious effort to tax the farmers. One proposal is to increase the land tax, which is minimal and not being collected at all in many areas. Property tax bills could be presented to new landowners at the time they receive their titles. The land reform law provides, however, that new owners are exempt from land taxes during the first year of ownership. Another proposal is to increase custom duties on imported agricultural machinery and other inputs. While all of these measures have merit, any move to tax the peasants will be administratively and politically difficult.

#### VC Conduct Special Fund Drive

4. The Allied movement into Cambodia in May apparently has forced the Viet Cong (VC) to speed up revenue collections in the rich delta area in order to compensate for losses of foodstuffs and other supplies in Cambodia. A document issued by the VC My Tho (Government of Vietnam Dinh Tuong) Province Committee made an urgent plea for money to compensate for logistical losses in Cambodia and directed that all collection methods be used to gather immediately at least two thirds of the tax quota for the second half of 1970. Prior to the Allied operation, Communist authorities also levied emergency requirements for financial aid and, more importantly, additional manpower on the delta in order to support their activities in Cambodia.

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Prices\*

5. Retail prices in Saigon increased five percent during June and another one percent during the week ending 6 July. According to the USAID monthly average index, Saigon retail prices rose 24 percent during the first half of 1970 compared with an increase of only 10 percent during the first six months of 1969.

Currency and Gold

6. Saigon black market dollar and gold prices declined during the two weeks ending 6 July to the lowest levels since early March. The price of dollars declined 11 piasters to 375 piasters per dollar, but still was more than triple the official exchange rate of 118 piasters per dollar. The price of a dollar's worth of gold leaf fell 19 piasters to 464 piasters. The rate for MPC (scrip) also declined-- from 210 piasters per dollar on 22 June to 190 piasters on 6 July. The volume of transactions reportedly has been low for several weeks as traders await legislative action on the government's request for decree powers over economic affairs. (A graph on monthly and weekly currency and gold prices is included in the Annex.)



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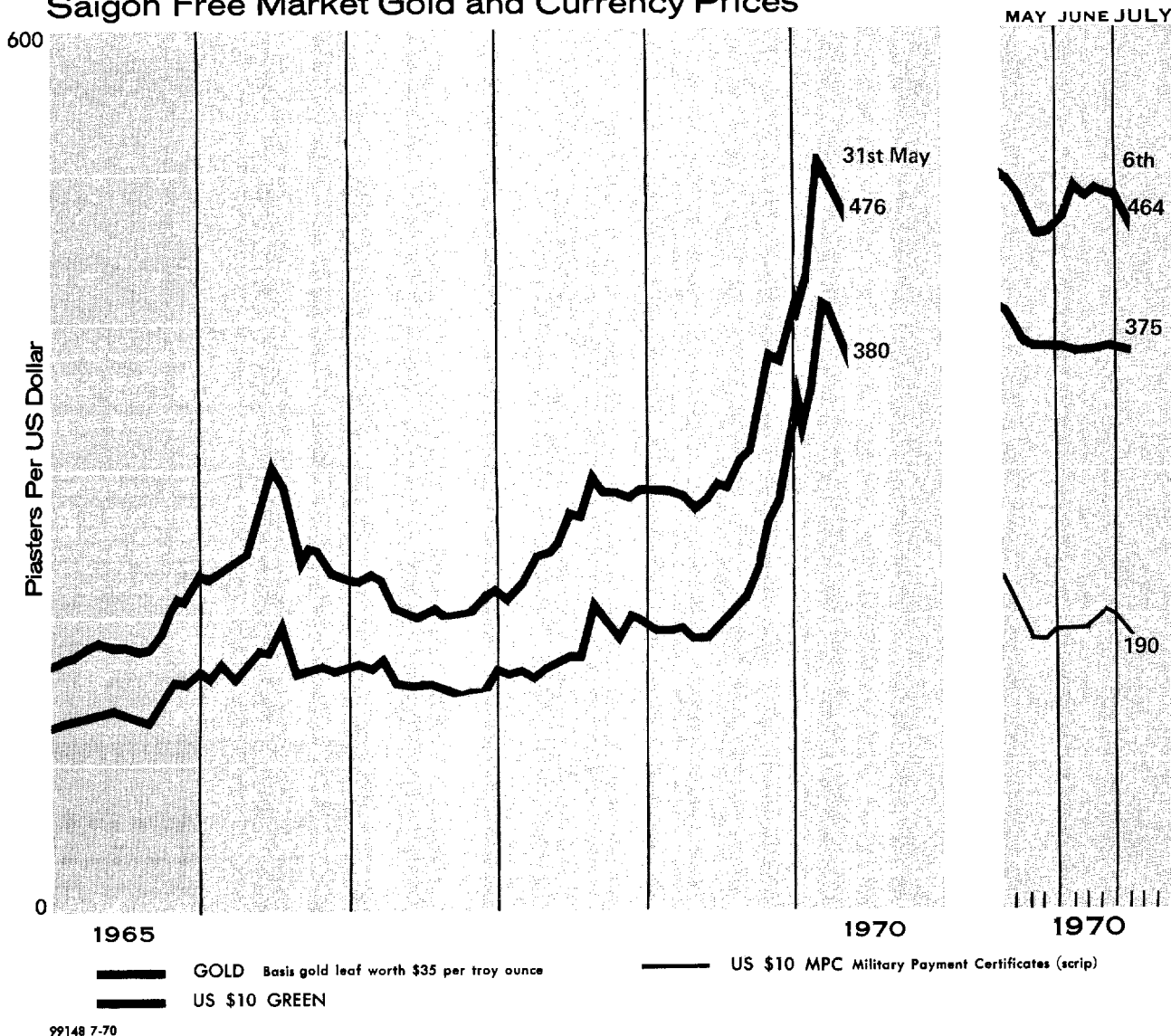
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### Saigon Free Market Gold and Currency Prices



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