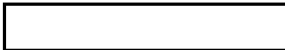


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DIRECTORATE OF
INTELLIGENCE

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
11 August 1969

The Economic Situation in South Vietnam

Summary

The rice market in South Vietnam this year appears to be free of many of the supply and price problems that occurred during 1967 and 1968. Deliveries of rice from the delta are at the highest level since 1966, farmers are getting good prices for their paddy, import requirements are lower, and government stocks of rice are down to a more manageable level.

A 24-hour general strike in sympathy with Saigon Bus Company employees apparently has been averted through the intervention of President Thieu.

The Saigon retail price index increased one percent during the two weeks ending 28 July, but still was only 12 percent above the level of 6 January. Prices of imported goods continued stable, but limitations on the availability of foreign exchange may lead to higher prices in the future. Free market prices of dollars and gold increased, while the rate for MPC (scrip) was unchanged.

ANNEX:

South Vietnam Economic Indicators
(charts)
Monthly and Weekly Currency and
Gold Prices (graph)

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Rice Situation

1. There are several indications that the rice market in South Vietnam is operating more smoothly this year than it did during most of 1967 and 1968. Although rice output declined in the 1968/69 crop year, deliveries of rice from the delta are at the highest level since 1966, farmers are receiving good prices for their paddy, import requirements are lower, and government stocks of rice are down to a more manageable level.

2. Deliveries of rice from the delta to Saigon totaled 189,000 metric tons during the first half of 1969 compared with 161,000 and 116,000 tons during the comparable periods of 1967 and 1968. Because the bulk of the 1968/69 crop already has reached the market, average monthly deliveries should be smaller until late in the year when the new harvesting period begins. Officials anticipate, however, that deliveries for 1969 will total more than the 310,000 tons delivered during 1968.

3. The farmers have had a stronger incentive to market rice this year because of the large increase in paddy prices since January. The average price of paddy in the delta increased about 50 percent during the first half of the year, whereas in 1968 paddy prices fell early in the year and remained low. This increase can be attributed largely to the 25 percent increase in the wholesale price of imported US rice in late 1968, declining stocks of imported rice held by the government in Saigon and the rice-deficit northern provinces, and probably to reduced transport costs as road security improved. Other factors in the increase are the increase in the general price level and the normal seasonal rise in paddy prices between harvest periods.

4. Rice imports in 1969 will be less than half the level of 1967 and 1968, or only about 300,000 tons. At the end of 1968 the government held enough rice to cover normal consumption in the rice deficit areas for about six months, or

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double the amount US and Vietnamese officials consider the ideal level. As a result of the excessive stocks and rising delta deliveries, few imports have been necessary, and only 47,000 tons arrived during the first half of 1969. By the end of June, however, rice stocks had declined to somewhat less than the ideal level. About 250,000 tons of imported rice are scheduled to arrive during the last half of the year to meet consumption requirements and to replenish stocks. According to US officials, if shipments arrive as scheduled there is little chance of stocks falling below a safe level. Isolated shortages of rice could develop in I and II Corps, however, because of bureaucratic and transport delays.

General Strike Averted

5. A 24-hour general strike in Saigon apparently has been averted by President Thieu's agreement to meet with striking Saigon Bus Company workers should other efforts to mediate the issues fail. On 1 August the 500-600 bus company workers went on strike to protest the government's decision to dissolve the financially ailing Saigon Bus Company and sell its assets to private interests. The strike assumed larger proportions on 3 August when the Saigon/Gia Dinh council of the Vietnamese Confederation of Labor (CVT), the largest trade union organization in South Vietnam, agreed to join the bus workers in a 24-hour sympathy strike at a time to be decided by the council's executive board. CVT president Tran Quoc Buu, who was out of town when the meeting was held, reportedly asked President Thieu to intervene. One of the reasons why the bus workers' cause stirred the interest of other unions is probably that the bus company is the only sizable government-owned enterprise in which the workers participated in management decisions. The employees had hoped to take over the assets of the company themselves using their severance pay from the government and additional funds from their union.

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Prices

6. Retail prices in Saigon increased one percent during the two weeks ending 28 July, but still were only 12 percent above the level prevailing on 6 January. Food prices rose slightly, resulting in an increase of 16 percent for the year to date. One of the major reasons for this rise in the food price index has been the 20 to 27 percent increase in the prices of domestic rice since the middle of April. Non-food prices were generally stable during 14-28 July at a level three percent above that prevailing at the beginning of the year.

USAID Retail Price Indexes for Saigon
(1 January 1965 = 100)

	<u>All Items</u>	<u>Food Items</u>	<u>Nonfood Items</u>
2 Jan 1968	308	344	241
6 Jan 1969	400	443	319
14 Jul 1969	445	508	329
21 Jul 1969	443	504	332
28 Jul 1969	448	512	328

7. The price index for imported goods remained stable during the two weeks ending 29 July. Unless more foreign exchange is made available for imports, however, prices may begin to rise. According to embassy officials, funds currently available through the US-financed Commercial Import Program (CIP) amount to only about half of the estimated backlog of pending and approved import license applications. Moreover, of the \$40 million in CIP funds allotted for the July-September period almost half had been issued by the end of July. It also appears that the Vietnamese Government is limiting the licensing of imports purchased with its own funds in order to reduce the drain on foreign exchange reserves. On 30 July the Ministry of Economy suspended the processing of import licenses for several types of motor vehicles and ordered importers to refund customers' deposits. Without some decrease in the demand

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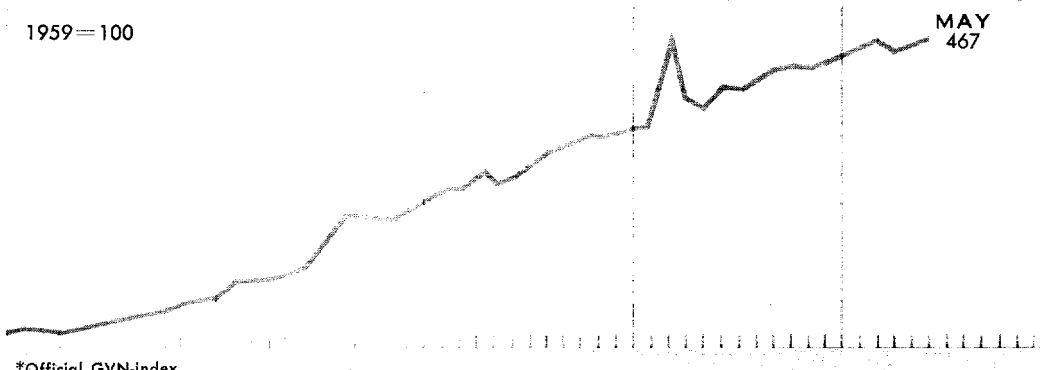
for imports it is likely that the government will have to be much more selective in deciding the amount and type of goods that may be imported. (Charts on the cost of living, money supply, and foreign exchange reserves are included in the Annex.)

Currency and Gold

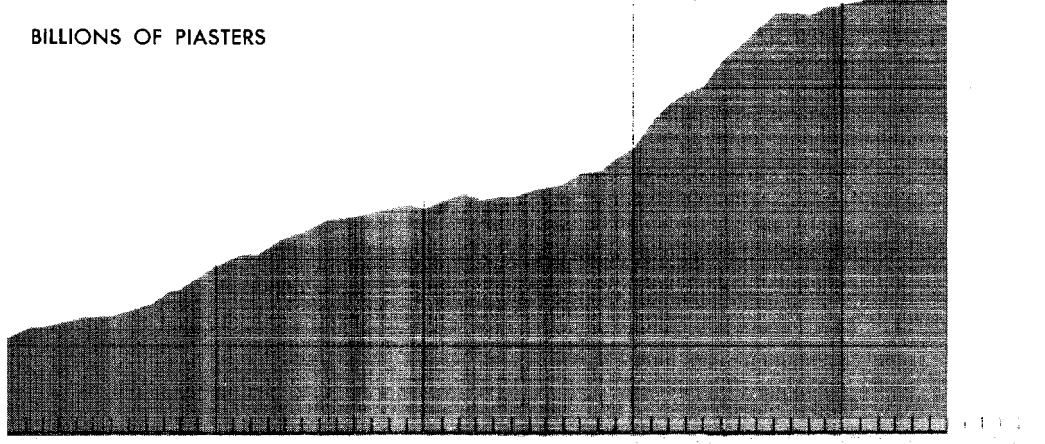
8. During 15-29 July the free market price of dollars continued the steady upward trend that began in mid-May. On 29 July the price was 208 piasters per dollar compared with the official exchange rate of 118 piasters per dollar. This rate, however, is only eight piasters above that prevailing at the beginning of the year. The price of a dollar's worth of gold leaf increased four piasters to 284 piasters, or slightly above the average price during the first six months of 1969. The rate for MPC (scrip) was unchanged at 161 piasters per dollar. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

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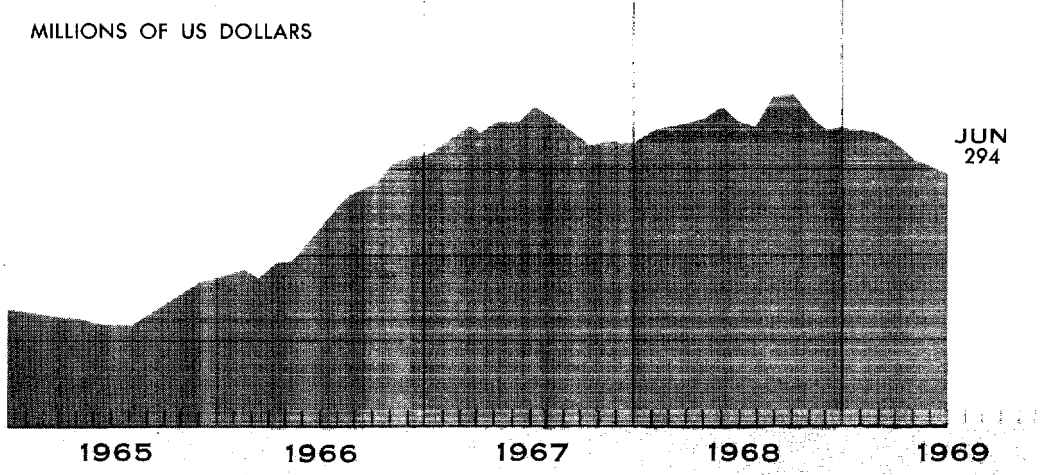
Saigon Cost of Living Index * (For Working Class Family)



South Vietnam Money Supply

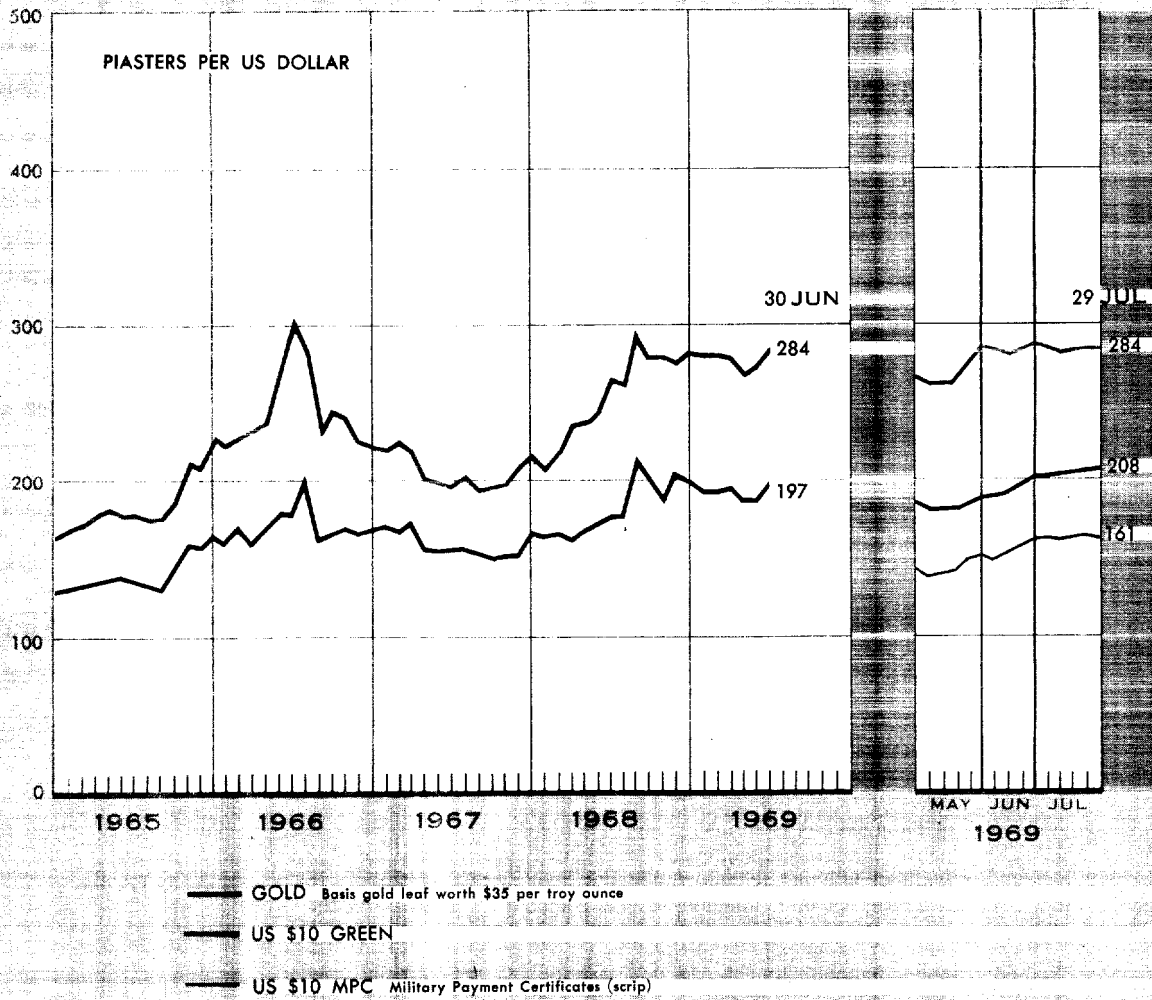


South Vietnam Foreign Exchange Reserves



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Saigon Free Market Gold and Currency Prices



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