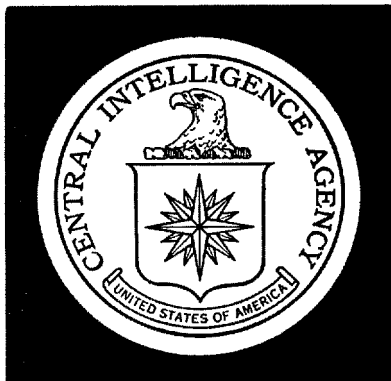


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DIRECTORATE OF  
INTELLIGENCE

## 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

Vietnamese civil servants will receive a 25 percent increase in their basic pay on 1 July 1969-- the first such increase since mid-1966.

The Vietnamese Government is reluctant to allow any more foreign workers to enter the country and is taking steps to bring those already in the country under stricter control. US contractors claim they need additional skilled foreign workers to complete essential defense contracts, but their plans to lay off thousands of unskilled Vietnamese workers probably will stiffen government resistance to foreigners.

After discussing the rice situation with delta merchants, US embassy officials have concluded that the recent steady increase in retail prices is partly the result of speculation by rice merchants.

Saigon retail prices increased less than one percent during the week ending 19 May, and free market currency and gold prices were stable.

ANNEX: Currency and Gold Prices (Graph)

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Pay Increase for Civil Servants

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1. [redacted]

[redacted] all Vietnamese civil servants will receive a 25 percent increase in their basic pay effective 1 July 1969.

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[redacted] no pay increase for military personnel was planned "at this time," but that additional foodstuffs will be sold at subsidized prices to all government employees through the government-controlled commissaries. [redacted] the pay increase for civil servants will add 10 billion piasters (US \$85 million) to government expenditures this year alone, but that the government had no alternative because the civil servants' financial situation had been ignored for too long

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2. [redacted]

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The news of the pay increase, however, already has reached Saigon newspapers, and US embassy officials foresee demands for a parallel pay increase by the armed forces and by Vietnamese employed by the US Government and American contractors. Vietnamese military personnel received a wage increase in January 1968, and Vietnamese employees in the US sector of the economy already have received the first step of a two-step increase scheduled for 1969.

Employment of Third Country Nationals

3. The Vietnamese Government is delaying the approval of applications by US contractors to bring more skilled foreign laborers into the country. The government not only has been having difficulty regulating the activities of these workers, but also would prefer to see Vietnamese workers replace as many of them as possible. US contractors' plans to lay off large numbers of Vietnamese personnel this year probably will stiffen government resistance to allowing employment of more foreign personnel in South Vietnam.

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4. Currently there are 20,000-25,000 third country nationals (TCNs), mainly Koreans and Filipinos, in South Vietnam. Most of these TCNs are working for US contractors and their subcontractors in skilled blue collar jobs or in professional and technical occupations. According to the US embassy, in mid-May there were about 1,500 applications for work permits or visas for additional TCNs being held by the Ministry of Interior and 600 more were to be filed shortly. US contractors have been protesting to the embassy that the situation is intolerable and that the TCNs are necessary to complete essential defense contracts. At the same time, however, the contractors plan major cutbacks in the number of Vietnamese they employ. The largest US construction consortium in South Vietnam reportedly plans to lay off at least 9,000 Vietnamese workers by the first of October. The Vietnamese minister of labor has indicated to embassy officials that the government has little reason to be cooperative on TCN applications when large-scale reductions of Vietnamese employees are in the offing. The contractors' position is that there are not enough skilled Vietnamese for the work that must be done nor is there time to train them.

5. Many Vietnamese resent the presence of TCNs in their country, and the TCNs have posed some specific problems for the government. According to a recent embassy survey, the average wage paid to TCNs, excluding housing and other fringe benefits, is about US \$6,700 per year, which is far above the average wage paid to Vietnamese employees, most of whom are unskilled. The embassy survey also indicates that a large share of the earnings of TCNs probably enters South Vietnam's currency black market. It is estimated that in 1969 as much as US \$60 million could enter the market as TCNs convert their earnings into piasters on the black market.

6. The Vietnamese Government tries to regulate strictly the entry and exit of TCNs, but many are in the country without valid visas or work permits

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which are required by Vietnamese law. On 14 May, the government announced that within one month employers must submit to the Ministry of Interior lists of their TCN employees, indicating the status of passports, visas, work permits, and residence cards. After 15 June, the government will not accept requests for regularizing the status of any TCNs, and workers and employers will be liable for fines and/or imprisonment. US officials hope to open discussions soon on an agreement setting out the responsibilities of both governments regarding the status of TCNs. Such an agreement could considerably reduce friction on the issue of TCNs, but the Vietnamese Government may be less willing to negotiate if US firms continue to ask for more TCNs while laying off Vietnamese.

#### Rice Market

7. Delta rice merchants who recently were interviewed by US embassy personnel expressed satisfaction with the current rice situation, and especially with the rising retail price of rice in Saigon. The merchants estimated their stocks of paddy at about 300,000 metric tons and guessed that farmers might have an additional 250,000 tons stored on their farms. No one could say how much of this rice will be delivered to Saigon, but Vietnamese officials anticipate that deliveries to Saigon will exceed the 310,000 tons of milled rice delivered to Saigon during 1968. Deliveries through April already have reached 140,000 tons despite the fact that the recently completed harvest was smaller because of a drought during the last few months of 1968.

8. From the end of March to the middle of May prices paid to farmers increased 30-35 percent, and retail prices in Saigon rose about 12 percent. Merchants attributed the steadily rising price of paddy to smaller farm stocks as a result of the drought and to a substantial increase in inter-provincial rice shipments on which the government lifted restrictions last September. Embassy officials believe that speculation on the part of the rice merchants is a factor in the rising retail

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price of rice. Aware that the stocks of imported rice in Saigon are dwindling because of transshipments to the northern provinces and no new arrivals, the merchants are holding their stocks as long as they can while prices in Saigon rise. Government stocks of imported rice in Saigon were down to about 80,000 tons at the end of April, from a high of 197,000 tons last August. As of 15 May, the government held in Saigon only 6,000 tons of US medium grain rice, the type of imported rice most competitive with domestic varieties. US officials expect that merchants will begin to sell their stocks as new imports begin to arrive or the loans they took to finance their paddy purchases come due.

Prices

9. After showing moderate increases for four consecutive weeks the USAID retail price index for Saigon increased less than one percent during the week ending 19 May. Food prices increased slightly as the price of rice continued to go up, while non-food prices were unchanged. The price index for imported commodities also increased less than one percent.

USAID Retail Prices 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
5 May 1969	417	470	319
12 May 1969	423	480	318
19 May 1969	425	483	318

Currency and Gold

10. All free market currency and gold prices were stable during the week ending 20 May. The prices of dollars and gold leaf were unchanged at 181 and 263 piasters per dollar, respectively.

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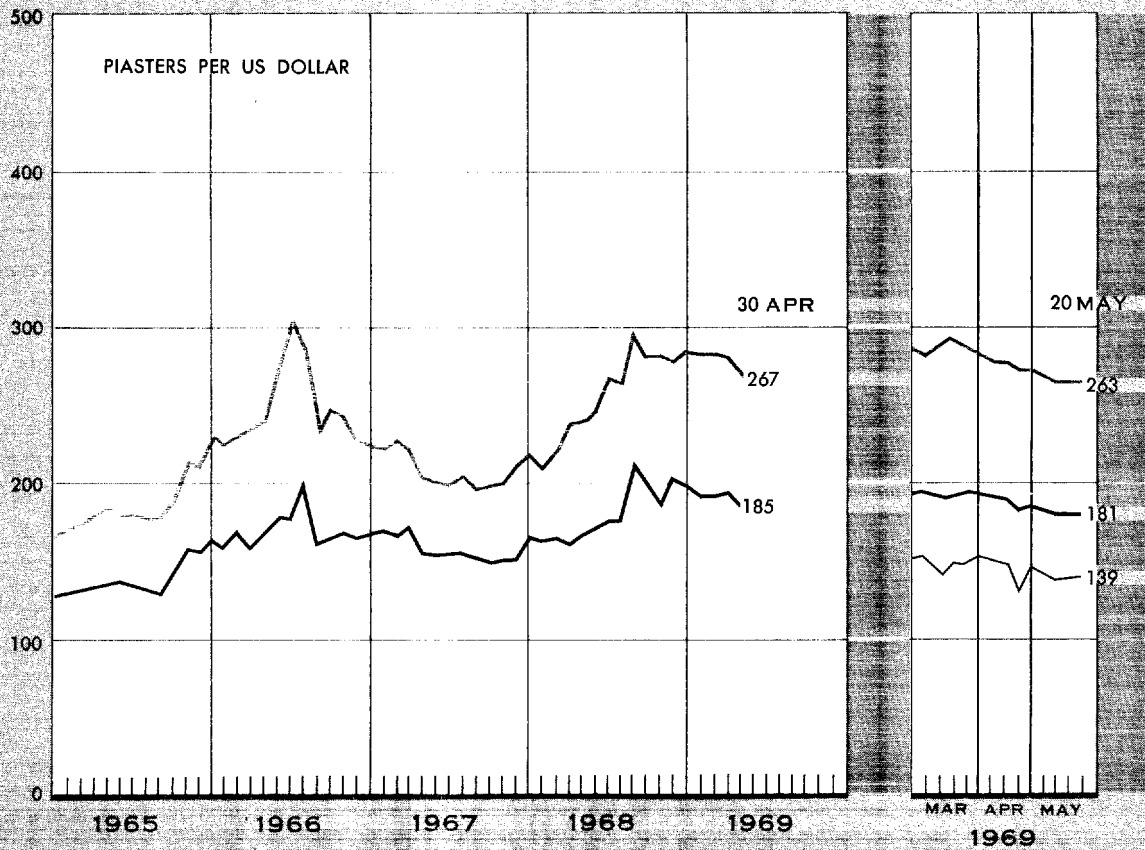
The rate for MPC (scrip) increased one piaster to 139 piasters per dollar. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

-6-

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### Saigon Free Market Gold and Currency Prices



— GOLD Basis gold leaf worth \$35 per troy ounce  
— US \$10 GREEN  
— US \$10 MPC Military Payment Certificates (scrip)

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