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Intelligence Report

DIRECTORATE OF
INTELLIGENCE

The Economic Situation in South Vietnam (Weekly)

State Dept. review completed

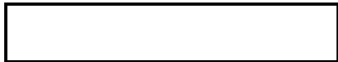
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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

The Economic Situation in South Vietnam

Summary

Japanese businessmen and the Japanese Government are not ready to invest immediately in the economy of South Vietnam, but they continue to prepare for the future. One group of Japanese businessmen recently toured the country and others are planning to follow.

The West German Government has loaned the government of Vietnam \$3.5 million to build a modern slaughterhouse in Saigon.

Retail prices in Saigon declined slightly for the second consecutive week in the pre-Tet period--usually a time of rising prices. Prices of imported commodities also declined slightly. Free market currency and gold prices were mixed during the week ending 3 February.

ANNEX: Weekly Retail Prices in Saigon (Table)
Monthly and Weekly Currency and Gold
Prices (Graph)

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Japanese Interest in Postwar Development

1. Japanese businessmen and the Japanese Government still are interested in the economic future of South Vietnam, but are not yet ready to invest their money there. According to US Embassy officers in Tokyo, most Japanese businessmen are unwilling at present to do more than discuss investment possibilities. The Japanese Foreign Ministry proposal for including \$33 million for an International Fund for the Rehabilitation of Indo-China in the 1969 budget was vetoed by the Ministry of Finance as premature. Nevertheless, both private business and the government are preparing now for greatly increased economic involvement in the future. A group of Japanese businessmen representing the Keidanren, a federation of private economic organizations, left South Vietnam on 7 February after touring the country for 12 days on a fact-finding mission, and other groups are planning similar visits. The Foreign Ministry plans to send a team to South Vietnam to investigate possibilities for projects and technical assistance in the immediate post-hostilities period. Two of Japan's largest auto makers, Nissan and Toyota, have announced that they have begun "full-scale studies" concerning the establishment of motor vehicle assembly plants in South Vietnam.

2. According to press reports, the Keidanren representatives spoke candidly to Saigon businessmen about the investment climate in Vietnam. Among the reasons cited for Japanese reluctance to invest were unfavorable Vietnamese investment regulations, unstable market prices, and the military situation. Prior to the visit, Keidanren officials had indicated that some construction of production facilities could begin under present security conditions. The delegation also emphasized that the main interest of the Japanese business community is in the development of agriculture and related industries. The Japanese agreed to form a joint Japanese/Vietnamese group to study postwar projects, but insisted that membership be limited to the private sector. Keidanren spokesmen earlier had

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indicated that South Vietnamese Government representatives would be included in such a group.

3. The Keidanren group was invited to South Vietnam by Minister of State Thuc who heads the joint American/Vietnamese postwar planning group. Thuc reportedly was very pleased with the visit and said he believed that the Japanese presence had helped to restore the confidence of the Vietnamese business community in the future of their own country and to discourage Vietnamese from transferring their funds to foreign countries.

New Saigon Slaughterhouse

4. The West German Government has loaned the government of South Vietnam \$3.5 million for the construction of a modern slaughterhouse in Saigon. The agreement calls for repayment of the loan over the next 25 years with an interest rate of three percent per year. West Germany also agreed to provide technical assistance during the installation and initial operation of the slaughterhouse. The new plant will have the capacity to process 2,400 hogs and 300 cattle per day. It also will have refrigeration and freezing facilities and equipment for extracting protein, processing hides and bones, and making fertilizer. According to Minister of Economy Ho, the plant will be built within two years and will be managed by private business interests. Currently, the only large slaughterhouse in the Saigon area is the government-run Chanh Hung slaughterhouse in Cholon, which reportedly can process only about 700 hogs per day, while the city's normal consumption requirement is 1,300 hogs per day.

5. The hog population has been declining steadily during recent years, but as part of the joint US/GVN protein production program, efforts are under way to increase the output of pork by 10 percent per year. In the early 1960's South Vietnam was an exporter of live pigs, but during the past three years has imported both live pigs and frozen pork.

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Prices

6. Retail prices in Saigon declined slightly for the second consecutive week--an unusual development during a pre-Tet period when prices normally rise. During the week ending 3 February food prices fell three percent because of lower prices for rice, fish, shrimp, and chicken, while nonfood prices declined two percent as the result of lower prices for firewood, charcoal, and calico. Prices of most grades of domestic rice fell for the first time since early October. The price of calico declined for the first time since early December, reportedly because little time remains for making new clothes before Tet (17 February). The embassy reports that the unexpected decline in the price level stems from a combination of factors including heavy import arrivals and secure highway transportation, which is allowing ample supplies of domestic products to reach the market. (A table of weekly retail prices in Saigon is included in the Annex.)

7. The USAID price index for selected imported goods also declined slightly for the second week. During the week ending 4 February the index declined to a level only eight percent above that prevailing at the beginning of 1968 as prices of building materials, chemicals, fertilizer, motor-bikes, radios, and sugar fell slightly.

Currency and Gold

8. Saigon free market currency and gold prices were mixed during the week ending 3 February. The price of dollars declined two piasters to 190 piasters per dollar, while the rate for MPC (scrip) increased one piaster to 152 piasters per dollar. The price of a dollar's worth of gold leaf was unchanged at 282 piasters per dollar. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

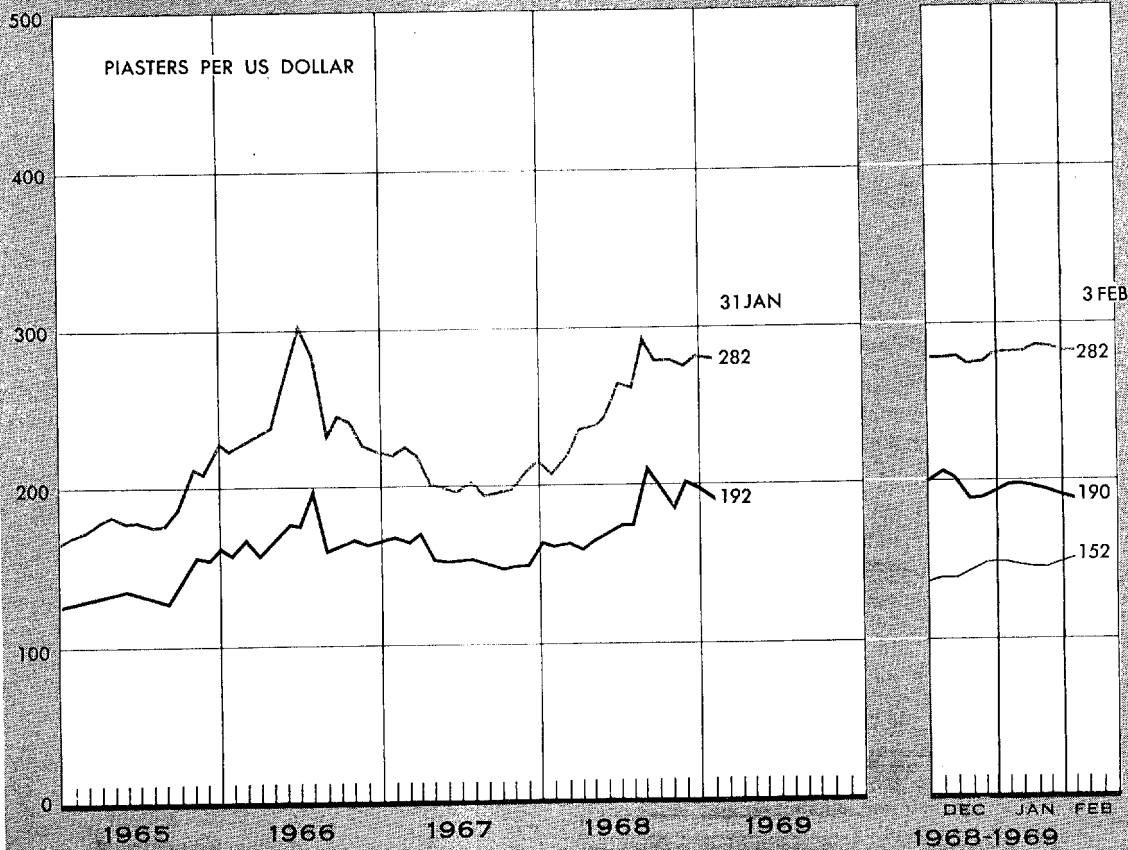
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TABLE
Weekly Retail Prices in Saigon^{a/}

	2 Jan 1968	6 Jan 1969	13 Jan 1969	20 Jan 1969	27 Jan 1969	3 Feb 1969
Index for All Items	<u>308</u>	<u>400</u>	<u>394</u>	<u>405</u>	<u>402</u>	<u>393</u>
Index for Food Items	<u>344</u>	<u>443</u>	<u>434</u>	<u>448</u>	<u>445</u>	<u>433</u>
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.)	2,500	3,100	3,200	3,250	3,250	3,200
Pork Bellies (1 kg.)	220	260	230	220	220	220
Fish-Ca Tre (1 kg.)	230	310	300	340	330	310
Nuoc Mam (jar)	150	220	220	220	220	220
Index for Nonfood Items	<u>241</u>	<u>319</u>	<u>321</u>	<u>325</u>	<u>324</u>	<u>319</u>
Of Which: (In Piasters)						
Firewood (cu. meter)	600	800	800	800	780	760
Cigarettes (pack)	14	22	22	22	22	22
White Calico (meter)	52	82	85	90	92	88
Kerosene (liter)	9	10	10	10	10	10

a. Data are from USAID sources. For indexes 1 Jan 1965 = 100.

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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