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FINANCE composed especially for CIA by that wizard of finance, [redacted]

The Indochinese piaster, is considerably overvalued at present because  
*(its value has not yet changed)*  
~~it was left at pre-devaluation parity~~ when the franc was devalued in 1949. Ex-

change rates, based on the Paris free-market franc, fix the piaster's value

at 20.58 to the US dollar, ~~xxxxxxxxxxxxxxxx~~ but ~~40-45~~ on the black market. *rate*

~~Indochina is undergoing xxxxxxxxxxxxxxxxx~~

Ordinary governmental expenses are borne by the administration at Saigon;

[I suppose this is Bao Dai & cie but I do not want anyone to believe I am committed to this stand] those of the current military campaign by the French

treasury. Despite this and the fact that ~~xxxxxxxx~~ the Saigon *Government* was able to

collect 60% of its revenue from customs receipts ~~xxxx~~ [Presume the other 40%

came from the picking of pockets, but it does not say here] there was a deficit

of 241,000 <sup>000</sup> piasters in 1949 which had to be financed from reserve funds. Some

reduction in income was occasioned through the ~~xxxx~~ requirement that all ex-

*(must flow)*  
cise taxes go to separate state administrations. **This document has been approved for release through the HISTORICAL REVIEW PROGRAM of the Central Intelligence Agency.**

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Of the 167 billion francs appropriated by the French for the military

campaign, 90 billion (5.29 billion piasters) ~~was~~ *(was)* spent in various ways in Indo-

*itself inflationary effort*  
China. The ~~result xxxxxxxxx~~ of the enormously increased purchasing power

*this*  
brought about by the ~~xxxxxx~~ expenditure of more money than had been in *(previously)*

circulation was ~~inflation~~ to some extent minimized by the withdrawal of new money in the form of ~~the~~ export of capital to France; ~~the~~ allotments and remittances to their native countries by members of the French armed services; ~~the~~ payments for French imports; ~~the~~ conversion of profits from black market and smuggling operations, ~~the~~ and ordinary flight of capital.

and lessen the burden on the French treasury

Attempts have been made to improve the situation, ~~the~~

~~the~~

~~taxes~~ through strict control of exchange transactions, but authorities

have been ~~unwilling~~ unwilling to make a serious attempt at restricting ~~piaster~~

~~transfers~~ transfers from piasters to francs because of the dire economic and

political effects that would result in Indochina. ~~And~~ And now I suppose some-

one is going to ask me just what these dire results would be and why the

transfer between francs and piasters has anything to do with them. "All I can

say is that if you don't even know that much, you have no business reading

high-level papers like this in the first place. ]

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X/

(In addition to the alarming facts ~~the~~

from SR-40 that I have so faithfully transcribed above, there is a witty little

paragraph about banks. I have not included this, partly because I could not find any place to put it and partly because I dislike banks. We could say at the end of the paper "The Bank of Indochina is Indochina's biggest bank and the bank of issue for the piaster (adv.) but beyond that I am stumped.)