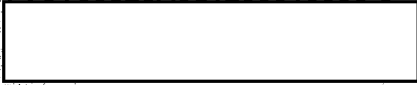


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12 September 1966

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INTELLIGENCE REPORT

THE SITUATION IN SOUTH VIETNAM

DIRECTORATE OF INTELLIGENCE

State, USAID reviews completed



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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(5 September - 11 September 1966)

C O N T E N T S

	<u>Section</u>
POLITICAL SITUATION	I
The voting; The elected assembly; Viet Cong antielection activity; Buddhist boycott largely ineffectual; Reorganization of the Regional and Popular Forces; Two French businessmen arrested for antielection activities; Ky's informal press conference; Coup rumors.	
REVOLUTIONARY DEVELOPMENT	II
Land tenure and agriculture.	
ECONOMIC SITUATION	III
Prices; Currency and gold; Regional economic situation; Commercial import program difficulties; Improvement in labor situation.	
ANNEX: Weekly Retail Prices in Saigon (table)	
South Vietnam Economic Indicators (graphs):	
-Free Market Gold and Currency Prices (monthly and weekly)	

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I. POLITICAL SITUATION

The large turnout of voters in the 11 September election of a constitutional assembly demonstrated the government's administrative ability and dealt a sharp blow to Viet Cong prestige. Despite open and intense Communist opposition and a boycott led by militant Buddhists, four fifths of the country's registered voters went to the polls. The constitutional assembly selected by the voters can thus claim a relatively significant popular mandate in discharging its constitutional drafting duties.

Among other developments, the government plans to begin integrating the command structures of the Regional and Popular forces into the regular armed force chain of command on 15 September. Two prominent members of the French business community were arrested on 6 September, allegedly for financing anti-government groups. Other pre-election events included a wide-ranging discussion between Premier Ky and the press, and a flurry of coup rumors.

The Voting

1. Of 5,288,512 registered voters, 4,274,812 cast ballots for constitutional delegates on 11 September, greatly exceeding pre-election estimates. According to available information, less than two percent of these ballots were invalid, indicating the failure of both Buddhist Institute and Viet Cong instructions to voters to deface their ballots intentionally. In Saigon, slightly more than 66 percent of registered voters cast ballots, with provincial voting running at about 85 percent of registration totals.

2. By all accounts thus far, the election was conducted fairly in the Saigon area, with no evidence of government pressure on the voters or of favoritism toward specific candidates. Despite extremely high voting percentages reported in some provinces, there has been

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no evidence of significant irregularities. Several minor charges of fraud have been reported, however. Official US observers uniformly reported large turnouts in the provinces, and most reports from the 500-man press corps now in the country confirmed this trend.

The Elected Assembly

3. The complete list of winning candidates has not yet been announced. On the basis of information now available, 18 military and 18 civil-servant candidates have been elected. Teachers and businessmen, however, head the list of successful candidates in terms of occupational background. Most delegates range in age from 25 to 44, while southerners and Buddhists form pluralities in terms of regional and religious orientation. Nationally known politicians elected in the Saigon area include Dr. Phan Quang Dan, Tran Van Van, Dang Van Sung, and La Thanh Nghe. Two of three candidates sponsored by the dissident montagnard autonomy organization, FULRO, were elected in the central highlands. The assembly is scheduled to convene on 26 September.

Viet Cong Antielection Activity

4. The countrywide level of Viet Cong terrorism and harassment was considerably above normal on 10 September, and continued at a significantly high level during the actual polling period. A government spokesman announced that 19 persons were killed and 120 wounded --both military and civilian--in connection with the election during the 24-hour period ending on the evening of 11 September. Nevertheless, there were no spectacular Viet Cong incidents and the over-all level was not as high as could have been expected.

5. The intense Viet Cong antielection campaign, including extensive propaganda and coercion as well as terrorism and sabotage, clearly failed to keep the voters away from the polls. Although the Viet Cong will undoubtedly describe the election totals as fraudulent and meaningless, they cannot hope to avoid a sharp loss of face.

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Buddhist Boycott Largely Ineffectual

6. The call for a boycott by militant members of the Buddhist Institute also failed. In accordance with an Institute communiqué of 6 September, hunger strikes were conducted in pagodas in Saigon, Hue, Da Nang, Ban Me Thuot, and Nha Trang, but these attracted little public attention. Other than one attempted march by 80 Buddhist monks in Saigon, which police quickly dispersed, no serious efforts were made to disrupt the voting. In strong Buddhist areas of Saigon, voting was brisk and even included some monks from the Institute, while the Buddhist stronghold of Hue in central Vietnam reported a voter turnout of 86 percent. Thich Tam Chau, leader of the moderate Institute Buddhists, broadcast an election day appeal urging the Buddhist faithful to vote.

7. On 10 September, the Saigon press carried Buddhist Institute communiqués which, among other things, called on the people to halt the "struggle." Institute officials later denied the validity of the documents, and the US Embassy believes that they represent an effort of last-minute deception propaganda by the government. On the 11th, the press printed a conciliatory statement by Premier Ky on the differences between the government and the Buddhist Institute. Ky made no real concessions, however.

Reorganization of the Regional and Popular Forces

8. US military authorities in Saigon have reported that a reorganization of the Regional and Popular forces will begin on 15 September. The changes basically involve the integration of the Regional and Popular Force headquarters into the corresponding regular armed force headquarters at the general staff, corps, division, sector, and subsector levels.

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Two French Businessmen Arrested for Antielection Activities

9. On 6 September, the government arrested Phillipe Grandjean and Abel Goxe, two of the most

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prominent members of the French business community in Saigon. Premier Ky later declared that the two men were being charged with having given US \$500,000 to an organization that was attempting to sabotage the election on 11 September.

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There was also some press speculation that the arrests had been touched off in response to President de Gaulle's Vietnam speech in Cambodia several days before.

Ky's Informal Press Conference

10. Premier Ky's 36th birthday on 8 September was the occasion for his holding a wide-ranging discussion with the press corps. Ky created a mild sensation by qualifying his unavailability as a presidential candidate for next year's elected government. On the 11th, however, Ky told reporters that he had changed his mind again, and would not be a candidate. On 8 September, Ky also reiterated his earlier remarks on the necessity of invading North Vietnam, although he stated that no such plan had yet been drawn up. He also announced his acceptance of an invitation to visit a US press association conference in southern California in mid-November.

Coup Rumors

11. Perhaps due in part to pre-election tension, coup rumors were reported circulating in Saigon late last week. [REDACTED]

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[REDACTED] police director Loan declared on 9 September that the government had the situation "well in hand." Loan admitted that there had been a "disturbance" on 8 September when four tanks and some army troops were on the road near Saigon without specific orders, but that it was not really a coup attempt. There has been no recent evidence of serious coup plotting, although some restlessness in the armed forces--possibly among followers of Deputy Premier Co and IV Corps commander Quang--may have been caused by reports of high-level command changes in the near future.

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II. REVOLUTIONARY DEVELOPMENT

The US Mission has devised a series of programs which have been or will be recommended to the GVN in an effort to increase agricultural productivity and enhance the distribution of land to the peasantry. The rationale for the program is that the most meaningful forms of assistance to the people of South Vietnam are those which affect their standard of living and the piece of land which they till.

Land Tenure and Agriculture

1. The US Mission in Saigon has offered new guidelines to be used as a policy framework for providing assistance to the GVN in the planning and execution of its land reform program. For the purposes of broadening the terms of reference and dealing with the GVN, the Mission has proposed that the land reform program will be referred to in the future as "land tenure development." The goals of the program will be fourfold: to improve the living standards of farmers (South Vietnam is 85 percent agricultural); to strengthen the institutions which influence relationships between the government and the rural populace; to abolish traditional land abuses; and to develop a base for increased agricultural productivity.

2. According to the Mission plan, the program would be developed within the framework of Revolutionary Development (RD) and in consonance with RD progress. The following basic areas of interest will be stressed by the Mission:

a. Administration of Existing Statutes.

In the opinion of the Mission, the most effective initial land reform step would be the judicious enforcement of existing legislation. This legislation includes Ordinance 57, which governs the administration of formerly French-owned land, and Ordinance 2,

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which governs rental contracts and controls. Although the Mission considers the laws to be intrinsically sound, revisions are planned in order to correct certain aspects which have proved inadequate in the past. Current planning calls for an increase in the size, authority, and capabilities of the GVN land administration staffs at the provincial, district, and village government levels. It is possible that RD cadres will be used as an executive arm of the program in areas newly controlled by the GVN.

b. Income Level of Farmers. Plans to increase the standard of living of farmers emphasize the expansion of secondary cropping. Other measures include the increased use of simple farm machinery, the development of irrigation systems, and the provision of adequate supplies of inexpensive improved seed, fertilizer, insecticide, and fungicide. The availability of equipment and supplies would be facilitated by introducing incentive price policies and improving credit marketing facilities. The limited evidence available from studying the effects of experimental measures taken in An Giang Province indicates that peasant incomes can be rapidly increased by employing the above measures.

c. Institutional Development. The Mission is emphasizing the need for the institutions to reinforce improvements in land distribution and agricultural productivity. One of the institutional measures required will be rural credit and banking facilities. Field offices of the National Agricultural Credit Organization are in the process of reorganization. Initial steps have already been taken to provide intensive training overseas for senior members of existing credit establishments. Additionally, the Mission hopes that drastic renovation of the government's ineffective Directorate General for Land Affairs within the Ministry of Agriculture will be undertaken. The Mission intends to recommend that a small commission be attached to the office of the Prime Minister with responsibilities for planning and preparing land reform legislation. Subsequent policy changes would be implemented by the Minister of Revolutionary Development. Another planned step is the merger of existing agricultural cooperatives and farmers' associations into

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a unified government-sponsored system. This would be accomplished in the context of a similar consolidation of government offices which supervise the cooperatives and associations. Emphasis will also be placed on the development of nongovernmental institutions, such as the Tenants and Agricultural Workers Union.

d. Training. The effective implementation of a land distribution program will rest largely on an efficient staff of land reform cadres and provincial administrators. Training in South Vietnam, in the United States, and elsewhere overseas is under consideration for the various functionaries, depending on the level of their office and the technical ability required. Efforts to expand courses on land reform at the national RD cadre training center and to add land tenure specialists to the RD cadre groups are under consideration.

e. Land Titles. The outlook for the issuance of land titles in the near future based on the country's conventional surveying techniques is bleak. The possible use of improved photogrammetric techniques, however, would provide the necessary means for reducing the time and cost of the surveys. In An Giang Province, aerial photography on which subsequent surveys will be based is nearly completed.

f. Expropriation of Land. Mission planners are emphasizing to the GVN that progress in pacification must be accompanied by progressive and equitable land tenure measures. Specific recommendations include the abolition of previously unfair landlord-tenant relations and just compensation for expropriated land. Already this year the GVN has made payments totaling nearly 10 million Vietnamese piasters to landlords whose land has been expropriated.

g. Public Information Support. The last policy recommendation for the improvement of the farmers' standard of living is that an effective public information campaign be undertaken to provide accurate facts and dramatic emphasis whenever land reform measures are taken.

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III. ECONOMIC SITUATION

Higher prices for a few food items accounted for a 3-percent increase in the USAID retail price index in the week ending 29 August. Nevertheless, the economy continued to display signs of stability. Rice prices declined for the second consecutive week and pork held steady. The nonfood price index also was unchanged. Prices of almost all imported commodities continued to decline or hold steady. Free market rates for dollars and gold rose slightly but are still well below the rates reached in June and July. The possibility of labor trouble with RMK-BRJ (the American construction consortium) has faded as this company decided to slow down its program for discharging employees.

Recently available regional economic data for July suggest that the effects of devaluation have been felt throughout the country. Prices continued to rise in all four corps areas mainly because of the devaluation and Viet Cong economic activities. Governor Hanh of the National Bank of Vietnam is concerned that new AID procedures for the use of commercial import program funds are having an unfavorable effect on the economic stabilization program. USAID feels that the Vietnamese business community needs to be educated on these procedures.

Prices

1. Retail prices in Saigon edged up slightly in the week ending 29 August when the USAID retail price index showed a gain of 3 percent above the previous week. This increase was due entirely to higher food prices; the nonfood index was unchanged. Higher food prices stemmed primarily from a sharp rise in the price of chicken--the result of increased holiday purchases. Deliveries of pork continued to be satisfactory, and the price of pork

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bellies held steady at 85 piasters per kilogram compared with 150 piasters three weeks ago. Rice prices continued to decline and are now back to the levels prevailing in late June and early July. (A table of weekly retail prices in Saigon is included in the Annex.)

2. Prices of almost all imported commodities continued to decline or hold steady. The only exceptions were calcium carbide and tricalcium phosphate, both of which increased slightly. The prices of condensed milk, wheat flour, sugar, iron and steel products, rayon yarn, and cement all declined. On the basis of wholesale prices of selected US-financed imports, it appears that prices of imported commodities have increased an average of 35 percent above the levels prevailing just prior to the 50-percent devaluation in June. The greatest increases have been recorded by condensed milk and fertilizers. As of 30 August, the prices of five out of the 21 imported commodities sampled were at or below mid-June levels.

Currency and Gold

3. Free market rates for dollars and gold rose slightly in the week ending 29 August. Dollars were up 7 piasters to 167 piasters per dollar and gold rose 12 piasters to 237--still below the official price of 242 piasters. These rates compare with a June-July average of 200 piasters for dollars and 304 piasters for gold. MPC (scrip) fell 3 piasters on 29 August to 115 piasters per dollar compared with an official rate of 118 piasters. The market for MPCs, which was rather active following devaluation, appears to be getting thin with quotations ranging between 112 and 118 since mid-August. In Hong Kong the piaster-dollar cross rate, which has been fluctuating around 180 since mid-July, fell 27 piasters to 157 on 22 August, but rose 19 piasters to 176 on 29 August. (Graphics on monthly and weekly free market gold and currency prices are included in the Annex.)

Regional Economic Situation

4. During the month of July, prices continued to rise in all four corps areas primarily because of the devaluation in mid-June and Viet Cong economic activities.

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Other factors, such as increased transportation costs, unfavorable weather conditions, and the presence of American troops, also contributed to higher prices in some areas. In contrast to June, when price increases associated with devaluation were greatest in III and IV Corps, such increases were most marked in I and II Corps in July. This development suggests that the effects of devaluation were felt throughout the country but with a time lag in the latter two corps. All four corps also experienced a general shortage of construction materials for commercial purposes.

5. Food prices were generally higher throughout I Corps partly as a result of devaluation and partly because of normal dry-season shortages of vegetables and meat. Price rises in some areas also stemmed from shortages of supplies caused by Viet Cong interference with commercial truck traffic along Highway 1. Widespread price increases--ranging from 5 to 100 percent--also occurred throughout II Corps. Basic commodities rose about 25 percent in Pleiku Province, 37 percent in Phu Yen Province, and roughly 50 percent in Tuyen Duc Province. In Ninh Thuan Province the price of imported goods during July increased about 50 percent above mid-June levels. Although the upward trend of prices in II Corps stemmed largely from the devaluation, other factors also were involved. In Tuyen Duc Province, for example, higher prices stemmed in part from heavy seasonal rains which spoiled a large part of the vegetable crop. Supply difficulties resulting from Viet Cong interference with transportation also contributed to price rises in some areas.

6. In III Corps seven provinces reported that food prices had stabilized or declined slightly. Prices rose sharply, however, in Binh Long Province largely because of transportation difficulties which also contributed to higher prices in Phuoc Long and Long An Provinces. In Binh Tuy Province prices continued to rise, and additional price increases are expected as a result of a recent flood. The cost of living continued to rise in IV Corps with increases varying widely among individual provinces. In An Giang Province prices rose 80 percent above their pre-devaluation level, whereas prices of food items increased only 10 to 15 percent in Ba Xuyen Province. Higher prices in IV Corps were a result of the devaluation, Viet Cong taxation, and interference with transportation.

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Commercial Import Program Difficulties

7. In order to accelerate imports and create a responsible and competitive importing community, the GVN agreed in early July to several new procedures for the use of commercial import program (CIP) funds. Governor Hanh of the National Bank of Vietnam now feels that these new procedures are having an unfavorable effect on South Vietnam's economic stabilization program. According to Hanh, there has been a deceleration in the CIP, which he attributes to the abrupt application of new and rigorous AID requirements and the consequent reluctance or inability of most firms to use AID funds at a time when more goods should be entering the market. As evidence of this deceleration, Hanh pointed out that during the period 1 July to 27 August import licenses funded by the GVN totaled \$89 million, whereas CIP licenses amounted to only \$79 million. Such levels, he notes, are unlikely to have the salutary effect envisioned by the projected large-scale CIP effect.

8. USAID considers Hanh's distress to be genuine and feels that the Vietnamese business community, which is unfamiliar with American specifications and practices, needs to be educated on AID regulations and on how to deal with American suppliers. Further, USAID feels that insufficient attention has been given to the relatively small size of many Vietnamese business firms and their lack of business sophistication. Although some of the problems that have arisen can be attributed to the penchant of some Vietnamese firms for graft and corruption, USAID considers such an explanation too simple for all of the difficulties.

Improvement in Labor Situation

9. The possibility of labor trouble with RMK-BRJ, the American construction consortium in South Vietnam, faded last week as the consortium decided to slow down its program for discharging employees and issued a well-received public statement on the problem. According to this statement, American employees will be discharged first, followed by third-country nationals and, if necessary, by Vietnamese. In addition, the company stated that efforts will be made to find employment with other US firms for any Vietnamese laid off by RMK-BRJ.

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ANNEX

TABLE

Weekly Retail Prices in Saigon a/

(In Piasters)

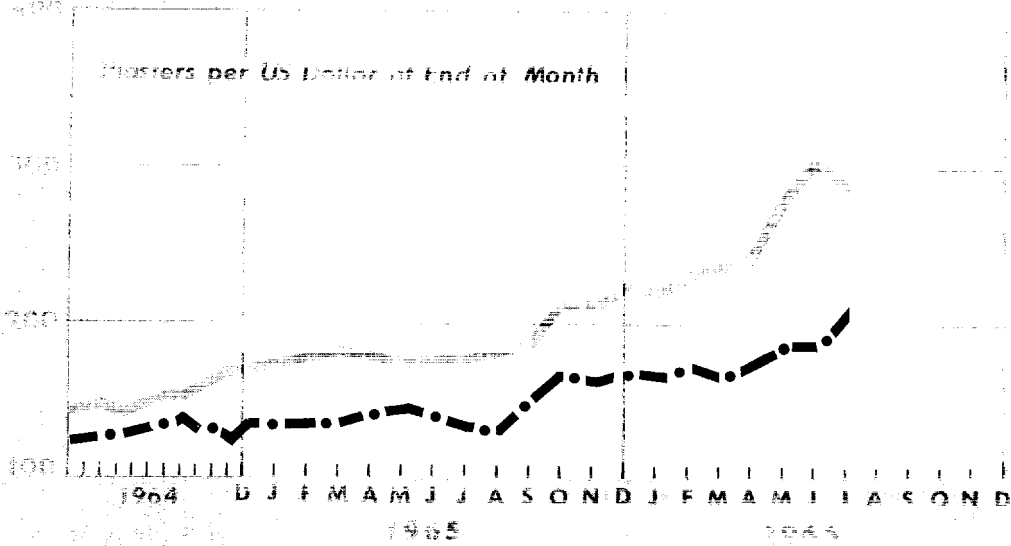
	3 Jan 1966	1 Aug 1966	8 Aug 1966	16 Aug 1966	22 Aug 1966	% Change from Month Ago	% Change from Year Ago
Index for All Items <u>b/</u>	<u>160</u>	<u>219</u>	<u>228</u>	<u>211</u>	<u>206</u>	- 2	+ 85
Index for Food Items <u>b/</u>	<u>169</u>	<u>228</u>	<u>237</u>	<u>216</u>	<u>211</u>	- 8	+ 84
Of Which:							
Rice-Soc Nau (100 kg.)	800	1,500	1,450	1,450	1,400	- 7	+ 65
Pork Bellies (1 kg.)	70	140	150	100	85	- 43	+ 70
Fish-Ca Tre (1 kg.)	110	160	190	170	160	0	+ 146
Nuoc Mam (jar)	50	85	85	85	85	0	+ 55
Index for Non-Food Items <u>b/</u>	<u>124</u>	<u>185</u>	<u>194</u>	<u>190</u>	<u>189</u>	+ 17	+ 91
Of Which:							
Charcoal (60 kg.)	440	600	620	600	590	- 2	+ 59
Cigarettes (pack)	10	12	14	14	14	+ 17	+ 40
White Calico (meter)	27	40	38	37	36	- 10	+ 60
Laundry Soap (1 kg.)	30	44	44	43	43	- 2	+ 95

a/ Data are from USAID sources.b/ For all indexes, 1 January 1965 = 100.**SECRET**

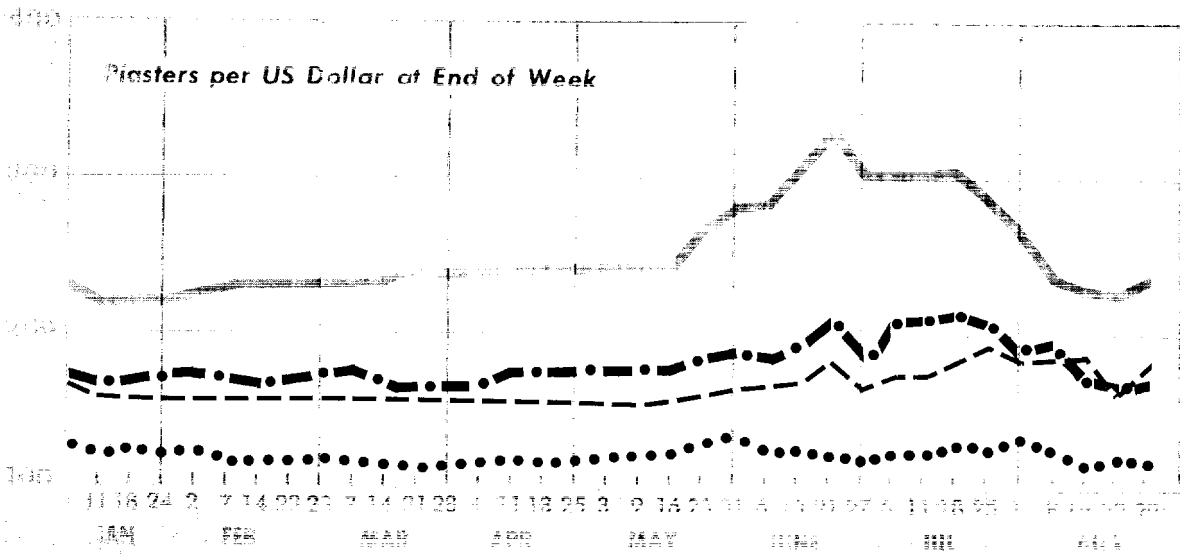
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SOUTH VIETNAM ECONOMIC INDICATORS

**Monthly Free Market Gold and Currency Prices
JANUARY 1964 – JULY 1966**



**Weekly Free Market Gold and Currency Prices
3 JANUARY 1966 – 29 AUGUST 1966**



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Approved For Release 2006/03/17 : CIA-RDP79T00826A001200010036-3

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