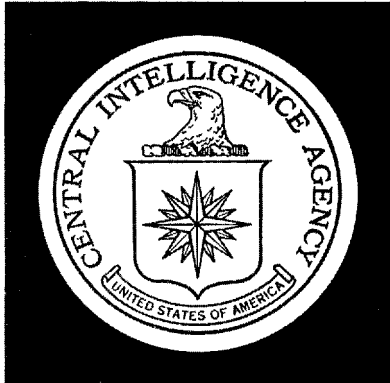


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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Situation in South Vietnam

(Weekly)

Secret

148

27 February 1967
No. 0339/67

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(20 February - 26 February 1967)

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I. POLITICAL SITUATION

Potential candidates in the forthcoming presidential election have not yet displayed overt signs of their interest. Behind the scenes, however, there is a flurry of activity as hopeful nominees begin the process of establishing the political machinery to support them. Most active among the evolving political organizations is the military establishment which appears to be well organized in view of the short time remaining before the election. An increasing body of evidence points up the probability that either Premier Ky or Chief of State Thieu will receive the military nod. In the Constituent Assembly, in the meantime, work on the executive section of the constitution is progressing in an atmosphere of general harmony.

Potential Presidential Candidates Active Behind the Scenes

1. With the target date for promulgation of the constitution only two months away, interest in the presidential elections is sharpening. Although no date has been set for the election, it is supposed to be held within three to six months after the constitution is in effect. Premier Ky has publicly indicated that the government will strive to hold it at the earliest date feasible. In the midst of the intensifying private jockeying for position among potential nominees, two trends are becoming increasingly apparent. The first is that the military establishment is beginning to organize its massive resources to back a military candidate, who seems almost certain to be either Premier Ky or Chief of State Thieu. Secondly,

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indicate that a straight civilian ticket probably cannot outdraw the military machine at the polls. Although the logical conclusion to be drawn from these trends is that either Ky or Thieu will be elected president, South Vietnamese politics are too fluid and opportunistic to make any firm prediction possible at this time.

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Ky and Thieu will try to reach agreement on which man will become the candidate. If they privately come to terms, their decision will be put to the military members of the Directorate for approval before a public announcement is made. If the two fail to agree, the military Directorate members, and possibly the Congress of the Armed Forces, will make the choice. In any event, the source said, the military organization will present only one candidate.

3. Although both men clearly appear to want the job, the US Embassy believes that Ky's star is burning a little brighter than Thieu's for the time being. One indication is the Constituent Assembly's action of setting the minimum age limit for presidential candidates at 35 rather than 40 years. Ky is 37 and would have been eliminated if the higher age limit had been imposed. Thieu is 43. The expected controversy over the age issue failed to materialize in the assembly and prominent assemblymen and political leaders have construed this to mean that Ky has won the first preliminary test of strength with Thieu. One southern ex-cabinet official told an embassy officer that he and the southern militants in the assembly had thought beforehand that they had enough support to establish the 40-year minimum which would favor Thieu.

4. Thieu, in the meantime, is acting more like a candidate in spite of his silence on the subject, according to his supporters. He is said to be carefully selecting representatives from the major blocs of political power to provide him civilian support and eventually to establish a national political front. Such a hand-picked front would then hold a convention and nominate the person approved by the Directorate as the candidate. Thieu is also pressing key assemblymen behind the scenes for a constitutionally based supreme armed forces council with specific powers. Thieu apparently believes that if he does not run for the presidency, his authority as head of the council will afford the military establishment, and himself, an influential voice in the new government.

5. There is a growing body of opinion among Vietnamese that civilian candidates for the presidency will be hard put to defeat a military candidate. Two prominent

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Constituent Assembly deputies were recently quoted as stating that the "government" nominee will win without any difficulty. One of the delegates further elaborated that the resources of the revolutionary development and information ministries alone would ensure a government candidate's election even if an opposition candidate had a 500-million-piaster campaign fund available to him.

6. These comments point up the problems facing various independent civilian presidential aspirants, none of whom presently has any organized national political base. In the short time until elections, it remains questionable whether the few existing political parties or factions are capable of merging into cohesive or effective alliances to support presidential candidates. In this political vacuum, the organization which appears to have the most effective base is the military establishment, partly because of its extensive influence in the government from the district level through the Directorate.

Work on Constitution Progressing Without Incident

7. In its last five working days ending 22 February, the Constituent Assembly has approved 19 articles dealing with the executive branch of government. The final portions of the legislative section were completed on 17 February. Most of the executive articles concerned the routine duties and titles of a popularly elected president of a republic and were approved without difficulty.

8. The principal deviation from the original draft document was the transfer of the right to declare states of national emergency from the legislature to the executive. That change is indicative of a trend to allocate more responsibility to the president at the expense of both the legislature and the appointed prime minister. It appears that the deputies are agreed now that the president should be responsible for the formulation of national policy and the prime minister responsible only for its execution.

9. The assembly surfaced a "council of ministers" which had not been specified in the initial draft constitution. The council will reportedly consist of the

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president, vice president, and senior cabinet members, although its function and authority at this time are unspecified. The article outlining the emergency powers reads, "the president may sign decrees declaring states of emergency, curfew, and tension." The president also has the right to prolong the terms of office of some elected bodies in wartime if elections cannot be held. The legislature, however, must approve the extensions by a two-thirds majority.

10. The last order of business in the assembly on 22 February was the approval, after an afternoon of stormy debate, of a national security council with the president as its chairman. The council's functions will be to propose declarations of war or the holding of peace talks; to propose the declaration of states of war, emergency, curfew, or tension; and to propose measures appropriate to the maintenance of national security. The article did not specify the members of the council; they will probably be stipulated in subsequent legislation once both houses of the national assembly are elected and functioning.

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II. REVOLUTIONARY DEVELOPMENT

Two programs designed to provide psychological support to RD teams in the field are scheduled to commence in March. The GVN, in the face of upcoming national and local elections, appears to have become more interested in implementing land reform programs affecting tenancy and financial support to farmers. However, expropriation of land, perhaps the most sensitive political issue for the present government, is not expected to be acted upon in the near future. The Secretariat for Justice is rewriting the five basic codes which are the heart of the Vietnamese legal system and attempting to provide greater access to the courts for the people. A recent reshuffling of GVN secretariats, although not generally significant, may facilitate more thorough economic planning and better implementation of GVN programs.

Psychological Support Programs

1. A magazine directed at RD cadres in the hamlets is scheduled to appear on 1 March. The magazine will be published by the Ministry of Information and appears to be designed to keep RD group members informed of the activities of their colleagues and to provide motivational material. On 27 March the RD Ministry (MORD) will begin broadcasting a new radio series publicizing and explaining RD. These innovations should provide some continuing psychological support to the cadres groups, who are frequently isolated from mass communications media.

2. General Thang, the minister for revolutionary development, established a new system of interministerial inspection teams on 13 February. Representation on the six inspection teams includes the Joint General Staff, Ministry of Revolutionary Development, MACV, OCO, and various technical ministries. The teams were programmed to visit the 26

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priority provinces during the period 13-27 February, and to repeat their itinerary every month thereafter. There is one team each for I and II Corps and two teams each for III and IV Corps.

Present Status of the GVN's Land Reform Programs

3. Despite the fact that the words "land reform" usually convey such ideas as redistribution of land, the dissolution of large landholdings of private individuals, and fundamental changes in land tenancy and financial arrangements, however, overnight changes from land reform programs in Vietnam have proved unattainable. In the reality of the power structure, radical change could threaten the stability of the government, even though it has apparently recognized the need to cultivate popular allegiance. Nevertheless, the government has been working within an indigenous frame of reference to alter the system of land tenure which has been one of the principal sources of mass alienation from past Vietnamese regimes. Broadly speaking, these efforts are a part of the Revolutionary Development program.

4. Several GVN steps taken over the past year have been pointed toward progress in land reform, particularly in areas of land tenure and agricultural development. In these two categories the GVN appears to have demonstrated a political and administrative capability for effective action. As pacification progresses, Revolutionary Development should provide the framework and organization for implementation of broader programs.

5. Two existing statutes--Ordinance 57 and Ordinance 2--provide the basis of the government's programs. Strict enforcement of these ordinances would be a major step toward equity and opportunity for marginal landowners, tenant farmers, and squatters since these regulations concern former French lands, rent controls, and rental contracts. In December 1966, Premier Ky allotted 1.5 million piasters to enable the Ministry of Agriculture to expedite the preparation of 100,000 permanent titles for farmers tilling GVN-owned lands, as provided in Ordinance 57.

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Premier Ky presented a number of these property deeds on 22 February to six province chiefs in a ceremony at Bien Hoa, and again on 24 February to ten delta province chiefs in a ceremony at Can Tho, for distribution to farmers in their provinces. These transfer arrangements supposedly gave 57,000 farmers approximately 273,000 acres of land. Ky has stated that the GVN hopes to endow 300,000 peasants with land titles in 1967. Although Ordinance 57, promulgated by Diem in 1957, prohibits ownership of land in excess of 240 acres, this has not been rigidly enforced. Under this law approximately 1.1 million acres have been expropriated--mostly French land acquired under Diem--and approximately 600,000 acres have been sold so far to 115,000 farmers on six-year purchase contracts.

6. On 24 December 1966, Premier Ky signed a village-hamlet reorganization decree which specifically included an agricultural affairs member on an elected village administrative committee. This official is to be responsible for agricultural affairs including the administration of village-owned lands; a certain amount of communal land has been traditional in Vietnamese villages. The December decree, placing the basic administration of land affairs in an elected village government, is not a completely new innovation in view of a traditional Vietnamese concept of village autonomy and democracy, but such elections have not been widely possible for some time. Phased elections for village councils are scheduled to be held during April, followed by hamlet elections beginning in May.

7. The RD program is also fostering the development of rural cooperatives and of the Vietnamese Farmers' Association which will benefit from the new Agricultural Development Bank (see Economic Section, Part III). The Vietnamese Farmers' Association, with the election of a 13-member central board of directors and a general manager has, in effect, established itself as a national organization, independent of the government, except for technical advice and assistance. Prior to the establishment of the central board, the Farmers' Association had not been organized beyond the provincial level and had been managed by a directorate

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within the Agriculture Ministry. As an independent entity, the Farmers' Association should foster increased farm efficiency and permit farmers greater independence in operation of enterprises. Presently, the membership of 147,232 farmers is organized into 60 district and 428 village Farmer Associations. In 1967 the Association hopes to establish ten new district and 150 new village associations.

8. The GVN has incorporated into the 1967 agriculture program funds for expanded technical assistance to farmers, increased credit for irrigation and other projects designed to raise farm productivity, and support for expanded development services offered by the Farmers' Association.

9. Other rural programs or plans under consideration are the establishment of elected village agricultural affairs committees; the enforcement of a 15 December 1965 directive of the Ministry of Agriculture waiving certain back rents or taxes due on lands in Viet Cong territory which come under GVN control; and a lowering of the maximum land retention rate.

10. Impending natural and local elections are probably the major impetus in the country's growing interest in land reform. As recently as November 1966, there was rather strong opposition within the Constituent Assembly (CA), to any constitutional provision on land policy, but on 26 January 1967 the CA passed, on the first ballot, Article 20 of the draft constitution which notes that, the government's policy is to "help the farmer have land to farm." This commitment in principle could provide a foundation for more substantive legislation and application.

11. In addition, the Saigon government has directed the Ministry of Justice to rewrite the five basic codes which are the center of the Vietnamese legal system--the civil and criminal codes of procedure, the civil and criminal codes, and the commercial code. The purpose is to modernize the legal system and alleviate past injustices in applying the laws. New civil and criminal codes of procedure have been drafted and circulated among other

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ministries, and are awaiting Prime Minister Ky's approval. The fifth code--the commercial code--is still being drafted. The Commissioner General of Justice, Tran Minh Tiet, has requested US assistance in the project.

12. In an effort to provide access to the Court of Appeals for people who cannot travel to Saigon, the criminal division of the Saigon Court of Appeals has agreed to hold regular circuit court sessions at Can Tho and Da Lat. The first circuit court session ever to take place outside Saigon was held in Can Tho on 1 and 2 January, and 20 appeal cases were adjudicated. The general trial court has also begun circuit hearings, holding its first at Blao, in Lam Dong Province. Concurrent with the opening of the session in Lam Dong--a province populated largely by montagnards--was the appointment of a montagnard as judge of this court. The new judge is a graduate of the National Institute of Administration in Saigon.

13. To implement the proposed legal code reforms, two training courses are being prepared. The first is a training program for judges designed to update their knowledge of trial procedures--including appeals, evidence, and other court matters. The second training course is designed to impart fundamental principles of justice to hamlet and village officials scheduled to be elected in April, May, and June. The preparation of this training course may be an indication of the government's resolve to hold the elections.

Administrative Revisions

14. As part of a reshuffling of government ministries and secretariats in the wake of General Co's removal as defense minister and the abolition of his job as deputy premier, the Secretariat of Youth has been transferred from the war ministry to the Ministry for Revolutionary Development. This and other reshuffling may facilitate better selection of RD cadres as well as better planning in both the revolutionary development and the related economic fields. Among the other recent changes were the transfer of the Secretariat for

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Communications and Transportation to the Ministry of Economy and Finance, and of the Secretariat for War Veterans to the Ministry for Cultural and Social Affairs. In addition, the new Ministry of National Planning has absorbed the Directorate General of Planning and the National Institute of Statistics.

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III. ECONOMIC SITUATION

Retail prices in Saigon declined three percent during the first week following the Tet holiday. The price of rice, however, continued to increase. Prices of imported commodities appear to be leveling off at the recent high levels. Free market currency and gold prices, which had been holding fairly steady for the past several months, rose sharply on 21 February reportedly because of rumors of a devaluation and a GVN wage increase.

The long-term outlook for the supply of rice has greatly improved as a result of GVN arrangements for the importation of rice from the US and other countries. At the present time, however, the rice situation remains serious as stocks in Saigon continue to decline and prices soar. Moreover, deliveries from the delta during the first half of February were unusually low.

RMK-BRJ, the US construction consortium in South Vietnam, is planning to phase out several projects and dismiss 11,000 Vietnamese workers as well as hundreds of US and third-country nationals. The US Mission, in cooperation with RMK-BRJ and the GVN, is implementing a series of measures designed to cushion the impact of this lay-off.

A new agricultural development bank has been established to replace the National Agricultural Credit Office which was set up in 1957 to extend loans to the agricultural sector.

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Prices

1. Retail prices in Saigon, which rose substantially on 13 February--the first business day following Tet, declined three percent during the week ending 20 February. Both food and non-food items shared in this recent decline. The increase on 13 February was caused almost entirely by higher pork prices as suppliers held off shipments waiting for the suspension of price ceilings on hogs. Following the removal of these ceilings, arrivals of hogs increased and pork prices fell significantly during the week ending 20 February. Prices of other meats also declined. The price of rice, on the other hand, continues to rise. (See paragraphs 4-6). On 20 February the price of the type of rice used by the working class reached another new high of 22 piasters per kilogram compared with 17 piasters at the beginning of the year and 10 piasters a year ago. (A table of weekly retail prices in Saigon is included in the Annex).

2. Prices of imported commodities appear to be leveling off at their recent high levels. According to the USAID price index for selected US-financed imports, prices of imported commodities on 21 February were about one percent below the peak reached during the first week of February. Prices of condensed milk, flour, and sugar declined as pre-Tet demand abated. Cement, on the other hand, continued to rise because of diminished arrivals. Chemical products also rose during the week ending 21 February, whereas most other imported goods held fairly steady.

Currency and Gold

3. Free market currency and gold prices, which had been holding fairly steady for the past several months, rose sharply on 21 February. Gold rose 28 piasters above the previous week to 251 piasters per dollar, the highest rate since mid-September. This increase reportedly stemmed from rumors of a GVN wage increase and another devaluation. MPC (scrip) jumped 11 piasters to 122 piasters per dollar--the highest rate since early August. According to market rumors, this change

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in the MPC rate was caused by as yet unexplained leaks in the control of currency exchange and PX supplies. Although the price of dollars also rose, the increase was much smaller--from 173 piasters on 13 February to 178 piasters on 21 February. (Graphics on monthly and weekly free market gold and currency prices are presented in the Annex).

Rice Situation

4. It now appears that the shortage of rice expected during the third quarter of 1967 will be prevented by GVN commercial purchases of rice and by a special non-concessional PL-480 transaction. The GVN has reported that Thailand will provide 100,000 tons of rice in 1967--30,000 tons in March and 10,000 tons monthly during the remaining seven months. No agreement has been reached, however, on the price and terms of this purchase. In addition, the GVN reportedly will buy 20,000 tons of rice from Taiwan with delivery scheduled at the end of February. Negotiations are under way for the purchase of at least 200,000 tons of PL-480 rice with 100-percent US use of the piaster proceeds, and the GVN has asked the US for an additional 100,000 tons on the same terms. Excluding this latter 100,000 tons on which a final decision has not yet been made, total rice available for import in calendar year 1967 now totals 770,000 tons: 150,000 tons carryover from FY 1966 PL-480, 300,000 tons normal PL-480 for FY 1967, 200,000 tons special non-concessional PL-480, 100,000 tons from Thailand, and 20,000 tons from Taiwan.

5. Although the long-term outlook is now greatly improved, the immediate rice situation remains **serious** as prices continue to rise. Stocks in Saigon were down to about 12,000 tons at mid-February compared with stocks of about 90,000 tons a year ago. Rice deliveries from the delta to Saigon during the first half of February were unusually low even if allowance is made for the effect of the Tet holidays on rice shipments. Six ships loaded with rice are now in Vietnamese waters, however, and the arrival of this rice should prevent a further deterioration in the rice situation.

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6. In early February the GVN Office of Supply began selling US rice at fourteen locations in Saigon at a price of 11.9 piasters per kilogram. Although these sales were suspended after Tet, they probably will be resumed as soon as stocks are replenished. Meanwhile, the GVN Ministry of Commerce is examining the possibility of buying rice in the delta. Reports on the success of a rice-buying delegation sent to the delta on 15 February are conflicting. According to a Saigon rice merchant, delta merchants will sell only a small quantity to the GVN. The Ministry of Commerce, on the other hand, maintains that large quantities of rice are available for GVN purchase, but he has admitted that there is some doubt with regard to the price and the time at which merchants may be willing to sell. Two ranking officials of the Ministry of Commerce went to the delta on 17 February on a mission connected with rice, but the minister has been unwilling to disclose the exact nature of this mission.

Labor Problems

7. RMK-BRJ, the American construction consortium in South Vietnam, is planning to phase out several projects prior to September with the result that 11,000 Vietnamese workers and hundreds of US and third-country nationals will be dismissed. Although the majority of the workers initially released can be absorbed by local and US employers in many areas, including Saigon, this sudden dismissal of workers could result in serious labor problems in some provinces. As a result, RMK-BRJ has agreed to cooperate with the US Mission in implementing a series of measures designed to cushion the impact of this reduction in the work force. Among these measures are the release of workers over as long a time as possible and the issuance of termination notices giving considerable advance warning and assistance to released workers in finding new jobs. The US Mission also will attempt to ensure that US employers will give preference in new hiring to employees discharged by RMK-BRJ. In addition, US agencies have been instructed to make an inventory of their future manpower needs to determine how these needs can be meshed with the RMK-BRJ pool of surplus workers.

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8. Attempts are being made to engage the GVN in a parallel effort to alleviate possible labor problems. The US labor attaché has suggested to officials of the GVN Ministry of Labor that the GVN improve job mobility by making current security clearances valid for new employment. In addition, the GVN could assist by making greater use of local employment committees to find new jobs and by informing GVN ministries with personnel shortages of the newly available manpower pool.

9. In an apparently unrelated development, about 3,000 Vietnamese workers at an RMK-BRJ construction site in Long Binh walked off the job on 21 February. Their main demands were for transportation to and from Saigon where most of the workers reside and a change in night-shift hours for security reasons. This strike was settled the following day when RMK-BRJ representatives announced that, among other things, workers would receive one and one-half hours' extra pay in lieu of transportation to and from work and an adjustment in the pay of night-shift workers.

New Agricultural Development Bank

10. A new agricultural development bank has been established to replace the National Agricultural Credit Office (NACO) which was set up in 1957. All personnel, equipment, assets and liabilities of NACO have been transferred to the new bank, which has an initial capitalization of 200 million piasters. This bank will carry out many of the functions previously performed by NACO, such as the extension of loans to cooperatives, farmers' associations and other bona fide agricultural organizations as well as to individual farmers. During 1957-65 NACO had extended almost 5 billion piasters in loans--primarily short-term loans to the agricultural sector. In 1965, however, NACO's extension of loans fell to an annual low of 152 million piasters, partly as a result of increased insecurity in rural areas. A joint USAID-GVN committee will meet shortly to discuss all aspects of the new bank and to determine how it should be administered to serve the agricultural development of South Vietnam.

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TABLE

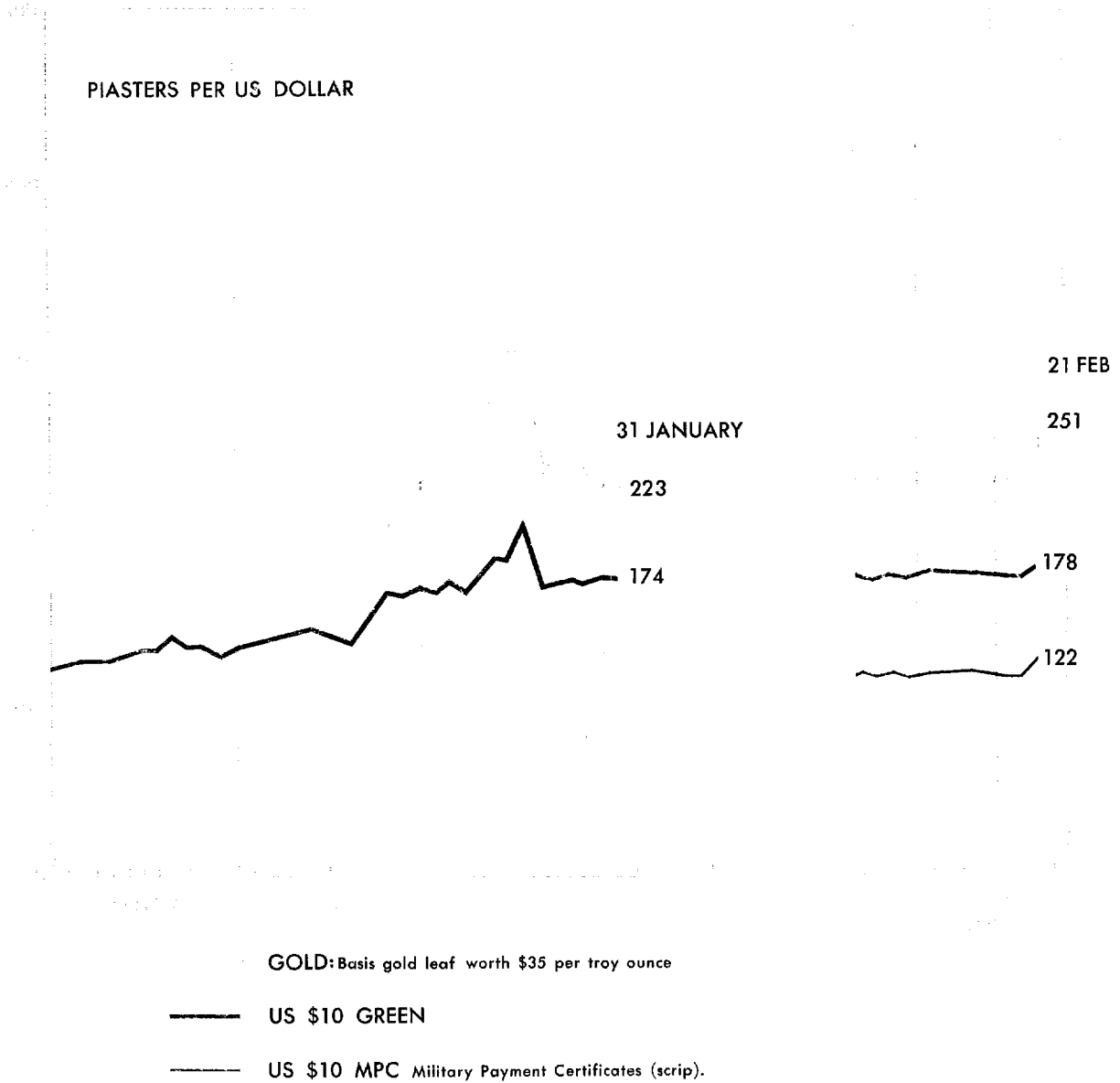
Weekly Retail Prices in Saigon a/

	13 June 1966 <u>b/</u>	16 Aug. 1966 <u>b/</u>	30 Jan. 1967	6 Feb. 1967	13 Feb. 1967	20 Feb. 1967
Index for All Items	<u>173</u>	<u>211</u>	<u>254</u>	<u>259</u>	<u>276</u>	<u>261</u>
Index for Food Items	<u>190</u>	<u>216</u>	<u>281</u>	<u>283</u>	<u>311</u> <u>c/</u>	<u>299</u> <u>c/</u>
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg)	1,250	1,450	2,100	2,150	2,100	2,200
Pork Bellies (1 kg.)	90	100	150	150	250	170
Fish-Ca Tre (1 kg.)	130	170	180	180	190	170
Nuoc Mam (jar)	70	85	120	120	120	120
Index for Non-Food Items	<u>140</u>	<u>190</u>	<u>204</u>	<u>212</u>	<u>210</u> <u>c/</u>	<u>208</u> <u>c/</u>
Of Which: (In Piasters)						
Charcoal (60 kg.)	460	600	680	700	680	660
Cigarettes (pack)	10	14	14	14	14	14
White Calico (meter)	27	37	31	30	30	30
Electricity (kwh)	4.2	N.A.	5.2	5.2	5.2	5.2

- a. Data are from USAID sources. For all indexes 1 January 1965 = 100.
b. Price levels just prior to and two months after the 18 June devaluation.
c. Preliminary.

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Saigon, Free Market Gold and Currency Prices



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