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DIRECTORATE OF  
INTELLIGENCE

## Intelligence Report

### *The Economic Situation in South Vietnam* (Biweekly)

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
23 March 1970

INTELLIGENCE MEMORANDUM

The Economic Situation in South Vietnam

Summary

Deliveries of rice from the delta to Saigon during the first two months of 1970 were the largest for any comparable period since 1965, but still were well below expectations. Farmers apparently still are holding out for higher prices, while the big rice merchants are waiting for paddy prices to fall.

Saigon retail prices have declined gradually since Tet and on 16 March were only five to six percent above the level of December 1969.

Confidence in the piaster fell to a new low in mid-March as the government acted to reduce the flight of capital, and rumors of other measures were wide-spread. On 17 March the price of dollars reached a new high of 390 piasters per dollar.

ANNEX: Monthly and Weekly Currency and Gold Prices  
(Graph)

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Delta Rice Deliveries

1. Deliveries of rice from the delta to Saigon during January and February were the highest for any corresponding period since 1965, but still were well below expectations. The 1969/70 crop, of which the major portion already has been harvested, is estimated to be the largest in five or six years, and officials believe that 500,000 to 600,000 metric tons of rice should be available for delivery to Saigon during 1970. Deliveries during January and February--when shipments traditionally are at a high level--totaled 69,300 tons, a rate that, even if continued, would result in total deliveries for the year of only about 420,000 tons. Paddy prices for farmers have been high for many months and after a slight decline in January began to rise again. Yet, despite the big crop and the high prices, farmers have been reluctant to sell.

2. Surveys by both Vietnamese and US agricultural representatives indicate that all parties in the rice trade are engaged in speculation. The farmers are not selling because they have less need for cash following last year's high paddy prices and they expect prices to rise still further. Moreover, they fear continuing inflation and prefer to hold rice rather than piasters. At the same time, some small rice dealers reportedly are storing more rice than usual and even some merchants not usually in the rice trade are purchasing paddy. The major Chinese rice merchants, however, are not buying rice for shipment to Saigon until paddy prices fall--a development they expect in May when farmers need cash for planting. They claim that the price at which the government has offered to buy milled rice is not high enough for them to make a profit. If paddy prices continue to rise, which most observers doubt, the farmers and small merchants will gain. The big rice dealers will gain only if paddy prices fall and Saigon retail prices remain high, which could occur only for a short time.

3. The farmers and small merchants probably will not be able to hold their rice off the market much longer, and as lower-priced imports arrive in quantity, prices will begin to fall. The extent of the decline

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and its effect on producer incentives will depend in large measure on the government's ability to balance the distribution and prices of both domestic and imported rice. This will be a very difficult task, judging from the history of periodic crises in the rice market during the past few years.

#### Prices

4. Retail prices in Saigon have declined gradually since Tet. Partial data indicate that between mid-February and mid-March the USAID index declined about eight percent and on 16 March was only five to six percent above the monthly average price index for December 1969.

5. Saigon newspapers succeeded in pressuring the government to rescind the 100-percent tax increase on imported newsprint announced last month. Following a three-day protest shutdown by all Saigon dailies the government agreed on 9 March to exempt from the higher tax rate the quantity of newsprint that the newspapers themselves determine is necessary for publication--probably the bulk of imports. In addition, the distribution of newsprint henceforth will be controlled by the Press Council, an organization of publishers, editors, and journalists, rather than the Ministry of Economy.

#### Currency and Gold

6. Saigon black market rates for dollars and gold reached new highs on 17 March as the government acted to stem the flight of capital, and rumors of other measures abounded. The price of dollars, which averaged 338 and 344 piasters per dollar during January and February, reached 390 piasters on 17 March. The price of a dollar's worth of gold leaf rose to 469 piasters compared with an average rate of 426 piasters during February. The rate for MPCs (scrip), which averaged 177 piasters per dollar during February, fell to 150 piasters on 13 March as press reports indicated that the government intended to change the official rate for scrip to 180 piasters. Scrip is now on a par with the dollar at 118 piasters. The rumors did not become fact, however, and by 17 March

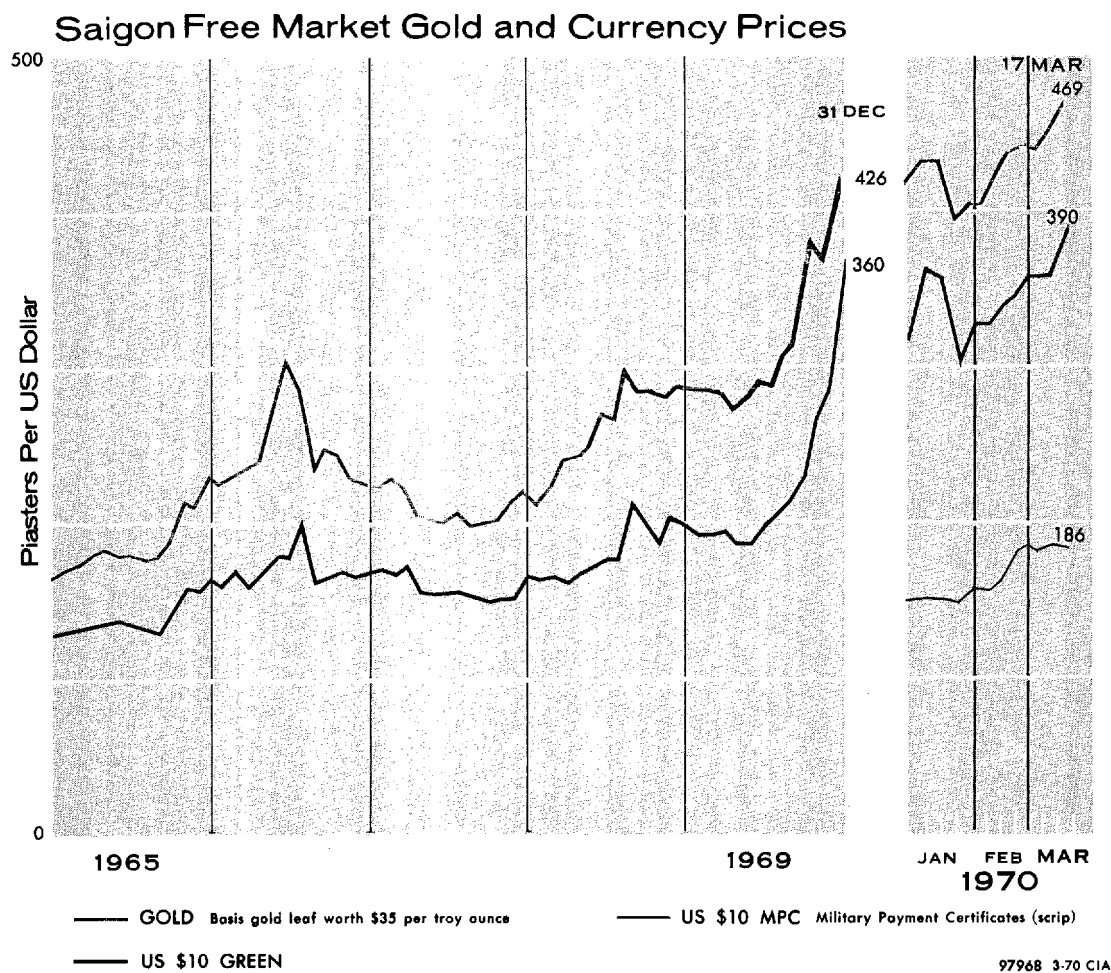
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renewed demand for scrip had boosted the black market rate to 186 piasters per dollar.

7. In a move designed to cut back the illegal transfer of piasters and dollar instruments out of the country the Ministry of Interior recently stopped issuing exit visas for tourist travel to Hong Kong, Singapore, and Bangkok. This measure probably will have little effect, however, since the bulk of the transfers apparently are accomplished by other methods such as transfers through foreign bank accounts. Nevertheless, the government's action combined with rumors of devaluation and higher taxes on luxury goods have reduced confidence in the piaster to an all-time low. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

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