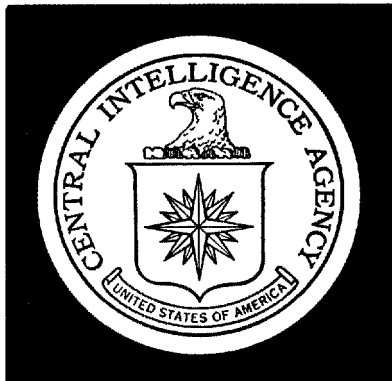


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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Economic Situation in South Vietnam (*Biweekly*)

State Dept. review completed

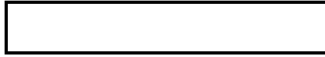
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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

The Economic Situation in South Vietnam

Summary

Saigon labor unions called a 24-hour strike on 7 January to protest government inaction in the case of Saigon Bus Company workers who have been out of work since August. Despite this flareup, however, Saigon has been remarkably free of labor troubles.

Retail prices in Saigon increased 34 percent during 1969 compared with increases of 33 and 30 percent in 1967 and 1968. The black market price of dollars soared to 370 piasters per dollar on 29 December as rumors of devaluation intensified.

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General Strike

1. The Saigon/Gia Dinh council of the Vietnamese Confederation of Labor (CVT), which represents most of the labor unions in the metropolitan area, called a 24-hour general strike in Saigon on 7 January to dramatize the plight of Saigon Bus Company employees who have been out of work since August 1969. After city officials postponed a meeting with union representatives the council voted to extend the strike through 8 January but was overruled by CVT President Tran Quoc Buu. Buu indicated that the CVT will await the results of the meeting before deciding what, if any, further steps will be taken. According to embassy officials, approximately 15,000 workers, of which half were dock and petroleum workers, participated in the strike. No essential services were interrupted, however, and US servicemen reportedly unloaded essential cargo at the port of Saigon.

2. The government-owned Saigon Bus Company ceased operations in August due to insolvency, and its assets were to be sold to private interests. An attempt made in September to sell the company failed when only one bid was received. Since that time no action has been taken, and 330 of the 500-600 bus company employees still are unemployed.

3. Saigon has been relatively free of labor troubles considering that the cost of living has risen an average of 32 percent during each of the past three years. The government has invoked a law that forbids strikes and threatened to draft striking workers on a few occasions, but in general the unions either have had little trouble in winning wage increases or have appeared apathetic. The successful negotiations generally are not reported. In two cases--the bus company and Esso--where labor troubles have resulted in one-day strikes, the unions seemed reluctant to press their demands vigorously. Wage negotiations at Esso dragged on for nine months before a settlement was reached in November 1969. The CVT threatened a general

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strike last August in support of the bus workers, but their future still is undecided. CVT leaders, and Buu in particular, apparently are continuing to hold a middle ground--allowing the unions sufficient maneuverability to keep their members reasonably happy but not enough to provoke a real quarrel with the government. The CVT has a reputation for being staunchly anti-Communist and apparently has been able to resist Viet Cong infiltration attempts. Moreover, the confederation is now organizing a political party which presumably will support the Thieu government although at the same time seek to draw support from workers and farmers holding a much broader range of political views.

Prices

4. According to preliminary information, retail prices in Saigon held steady during December, resulting in a 34 percent increase for the year. This increase, based on the USAID monthly average index, compares with increases of 30 percent in 1968, 33 percent in 1967, and 55 percent in 1966. Domestic rice prices, which increased 30 to 40 percent between the end of September and 1 December, fell 9 to 14 percent during the first three weeks of December as deliveries from the bumper crop now being harvested began to reach the market and speculative buying eased. On 22 December, however, rice prices still were more than 60 percent above the level prevailing at the beginning of 1969.

5. The monthly average price index for imported commodities increased two percent during December, bringing the increase for the year to 74 percent. Prices of imported goods rose much more than the general price level because of increases in taxes on imports during the year--perequation tax rates were raised in June and austerity tax rates were increased in October.

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6. During the last week in December the free market price of dollars in Saigon fluctuated between 350 and 370 piasters per dollar compared with the official rate of 118 piasters per dollar. Speculation increased as the government put new 20 and 50 piaster notes in circulation and rumors of devaluation intensified. The expectation that the piaster would be devaluated on 1 January sent the price of dollars to a record high of 370 piasters on 29 December. The latest available quotation for MPC (scrip) and gold leaf are for 16 December when the free market rates were 150 and 415 piasters per dollar, respectively.

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