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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Situation in South Vietnam (Weekly)

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(4 December - 10 December 1967)

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I. POLITICAL SITUATION

Although the most recent crisis among the senior generals will probably blow over,

[redacted] the generals' continuing discontent at being cut out of the political picture may lead to other crises in the future. Some of the generals, particularly the corps commanders, are also unhappy over the prospect that current plans for a reorganization of the armed forces will effectively cut their individual powers and command authority. Some 20 leaders of last year's "struggle" movement are to be brought to trial on 19 December--a move that may provoke a loud outcry from opposition elements. The Lower House has joined with the Upper House in calling for a review of the mobilization decree, and has set 14 as the minimum membership for formation of an official bloc. Two blocs in the Lower House are attempting to organize themselves formally as political groups, with varying success, while a third has apparently let its efforts at organization and recruitment lag.

3.3(h)(2)

Generals Jealous of Waning Powers

1. [redacted]

[redacted] although the most recent crisis among the senior generals will probably soon blow over, a "feeling of political uneasiness" lingers and may lead to new crises. [redacted]

3.3(h)(2)

[redacted] the basic reason behind the threatened resignations of generals Loan, Khang, Cao Van Vien, and Thang is their unwillingness to see power shift from the military to a civilian government that they believe is incompetent. They have no confidence that Prime Minister Loc can set the country on its feet and apparently believe sincerely that they could do a better job.

3.3(h)(2)

2. It is possible that the moderating influence of Vice President Ky, who has already averted a more serious crisis by persuading Loan to withdraw his

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resignation and the other generals to give the government a chance, will have a stabilizing effect. Ky's own approach to the situation has been more adult, and his conduct may serve as an example to the generals who support him.

3. Some of the generals are also apparently worried that their personal influence will be cut in the military sphere. The four corps commanders are reportedly objecting to plans that would reorganize the armed forces in such a way as to reduce their individual powers, and they may succeed in having the plans scuttled. [redacted]

3.3(h)(2)

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[redacted] the four expressed their opposition at a meeting in late November at Joint General Staff headquarters. They pointed particularly to plans that would break up divisions into battalion strike forces, shift Revolutionary Development support battalions from corps/division command to that of province chiefs, and reorganize the Regional and Popular Forces.

4. Joint General Staff chief Cao Van Vien, [redacted] argued in favor of the general reorganization but showed little enthusiasm for it. Senior unit commanders at the meeting indicated that, just as little has yet been done to implement the plans, little will probably be done in the future.

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Proposed Trial For "Struggle" Leaders

5. The government will try leaders of the 1966 Buddhist "struggle" movement in Hue and Da Nang. A government official announced on 4 December that about 20 persons implicated in the struggle will stand trial before Saigon's special military court on 19 December. The 20 include several army officers and Nguyen Van Man, the former mayor of Da Nang. The trial is likely to raise some furor among opposition elements, particularly the militant Buddhists and opposition deputies in the Lower House. Several

antigovernment deputies have already formed a committee to look into what they regard as unjust punitive measures taken against a number of student demonstrators. The trial, especially if severe sentences are meted out, will probably add fuel to their fire.

Lower House Activities

6. The Lower House has echoed the Upper House's call for a review of the mobilization decree. Claiming, as the Upper House had previously, that the decree is unconstitutional because it was promulgated without legislative approval, the Lower House voted on 1 December to invite a government representative to appear before a closed session to defend the decree. Since the Upper House has issued a similar "invitation," it is possible that the problem can be handled before a joint session of both houses. At last report, Defense Minister Vy had been tabbed as the probable government witness for the Upper House's interpellation on the decree.

7. The Lower House, in the meantime, is moving ahead with its rules-drafting process and approved more than 30 rules in the first four days of plenary debate. Among the rules approved is one dealing with the house's board of officers. These will include a chairman, two vice chairmen, a secretary general, and three deputy secretaries general. Unlike the Lower House, the Upper House had earlier voted to substitute a full committee on internal affairs and rules for the one-man secretary general's position.

8. The house has also decided on the minimum membership it will allow for formation of an officially recognized bloc. The minimum was set at 14 during debate on 7 December. This would permit as many as nine blocs in the 137-member house and is proportionately similar to the 12-member requirement of the former Provisional National Assembly. The 60-man Upper House, by contrast, has set its minimum at 15, allowing only four blocs.

9. Members of the Lower House have been active recently in consolidating blocs, forming alliances, and lining up candidates for the house officers.
 the largely Catholic

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Independence Bloc formally organized itself as a political group after receiving written pledges of adherence from 28 deputies during a meeting on 2 December. The bloc elected officers and gave the chairmanship to Gia Dinh deputy Nguyen Quang Luyen, a Buddhist, in an effort to defuse charges that the bloc is solely Catholic. It was further agreed that the bloc would seek the election of several of its number to Lower House offices as well as the chairmanships of several house committees.

10. Bloc leaders, according to the source, have tentatively decided to seek an alliance with the pro-government Democratic Bloc and have extended informal feelers to test the Democratic Bloc's reaction. The leaders reportedly believe their proposal will be accepted, since an alliance of the Independence Bloc's 28 members and the Democratic Bloc's 51 members would give the two a working majority in the house.

11. As for the Independence Bloc's attitude toward the government, [redacted]

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[redacted] it will support government programs that it deems worthwhile, but does not want to become a rubber stamp. The bloc has reportedly decided against an earlier plan to form a loose alliance with the largely Buddhist, antigovernment Progressive Bloc. Independence Bloc leaders now believe that the Progressives are too antigovernment and that such an alliance would hurt the bloc.

3.3(h)(2)

12. The All Vietnam Bloc, a group originally formed to support Vice President Ky's presidential candidacy, is also attempting to organize itself as a formal bloc in the Lower House, but is reportedly having difficulty. [redacted] bloc members, including seven Lower House deputies, were unable to agree during a meeting on 4 December whether the bloc's Lower House branch should be overt or covert. As a result, the group made no progress. Bloc chairman Tran Van An is reportedly confident, however, that the bloc can initially muster the support of 18 to 20 deputies in the Lower House and claims firm commitments from 17. These include Cao Dai, Hoa Hao, and Nationalist Party (VNQDD) deputies.

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13. The Farmer-Worker-Soldier Bloc is having even more difficulty in organizing its Lower House

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contingent. The bloc's liaison man with the Lower House has not been attending meetings of the group's working committee, [redacted] and the bloc has apparently done little to increase its strength. A Catholic priest reportedly told a bloc member recently that some 20 Catholic deputies would like to cooperate. Nothing has yet been done to follow this up, however, and bloc leaders do not even know the deputies' names.

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Buddhist Developments

14. The moderate Buddhists have reportedly decided to defer any attempts at reconciliation with the militants until after Tet, the Lunar New Year holiday, while Prime Minister Loc--in an apparently unrelated move--is making efforts to win the militants over to the government.

15. During a meeting on 4 December of moderate Buddhist leaders including Thich Tam Chau, [redacted] [redacted] Thich Tam Giac presented a proposal that outlined steps for seeking a reunification of the two factions. No action was taken on the proposal, however, and the moderates decided to postpone any such moves toward reconciliation until after Tet in late January. Tam Giac, who had reportedly discussed his proposal previously with militant Buddhist Thich Thien Minh, was asked to relay the postponement decision to Minh.

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16. In the meantime, Prime Minister Loc, [redacted] [redacted] has asked the Vietnamese Confederation of Labor to initiate low-keyed contacts among the militants, including Thich Tri Quang. Reportedly, Loc's hope is that the militants can be won over in this way to support of the government or at least to a more neutral position. Failing this, [redacted] Loc will begin a concerted effort to isolate the hard-core militant leaders from their followers.

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17. There have been some indications over the last few months that followers of both the militant and the moderate leaders may be pulling away from their leaders' extreme positions in an effort to effect a meaningful reconciliation of their two factions.

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Loc is probably hoping to exploit this potential split, should the labor confederation's attempt at rallying the militants fail. Loc is using the confederation as a go-between because of confederation president Tran Quoc Buu's friendship with some of the militant leaders. This relationship is not helping the situation, however; two meetings between Buu and Tri Quang in November proved inconclusive.

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II. REVOLUTIONARY DEVELOPMENT

Enemy forces have hit hard at the Revolutionary Development programs in Ba Xuyen, Binh Long, and Binh Duong provinces. The enemy attack against the Dak Son montagnard village appears to have been a reaction to the villagers reporting enemy positions to allied forces. Because of their inability to understand Vietnamese, many montagnards may have died as a result of failing to abandon their hiding places when told to do so by the enemy. The special CORDS advisers' pacification fund, the joint sign-off authority on planning documents, and the Vietnamese government's transfer of the land tax authority to some of the local units of government have probably strengthened the advisers' role in influencing pacification program planning and, in certain cases, program execution. Thirty-eight persons rallied in Quang Tin Province on 5 December, the largest single Viet Cong group to date to come in under the Chieu Hoi ("Open Arms") program. On 9 December, 3,229 students will graduate from the Vung Tau RD Cadre Training Center.

Continued Decline in Security Adversely Effects Revolutionary Development

1. On 28 November elements of a Viet Cong battalion attacked and overran the Tan Hung outpost and RD campaign area located about five miles north-east of Soc Trang, the capital of Ba Xuyen Province. Allied forces suffered 19 killed (seven Popular Force, 12 RD cadres), and 25 wounded (six Popular Force, 12 RD cadres, seven civilians), and lost 24 weapons. A Vietnamese reaction force sent to aid the beleaguered defenders killed 36 enemy and captured 22 weapons.

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2. This attack in Ba Xuyen is another in a growing list of enemy incidents which have as their goal the undercutting of the pacification programs. If such attacks do not reduce the size of the areas protected by allied military forces, they may at least reduce the government's administrative control and prevent the coalescence of popular attitudes in favor of the government.

3. Although the recent large-scale enemy attacks in Binh Long Province failed and resulted in heavy enemy losses, the attacks did succeed in disrupting the RD program. In October and November, at least 4,000 persons fled from Loc Ninh District to the provincial capital. A Truong Son team had to be evacuated by air from its operational area because of the proximity of an enemy battalion, and a second Truong Son team deserted after one was killed and seven were wounded in an abortive enemy attack. One Vietnamese RD team joined the general exodus of civilians from its hamlet, and another RD team was withdrawn when its supporting military unit was pulled back to provide security for the provincial capital.

4. Although the enemy's offensive in Binh Long was a military failure, it was not without some effective results. In addition to causing a new burden of refugees and a setback to rural pacification, the enemy has also apparently stepped up the collection of rice in the province. Several reports further indicate that the enemy continues to tax the 8,500 workers on the two rubber plantations still operating in Binh Long.

5. South of Binh Long in Binh Duong Province, the enemy during October appeared to have made the RD program his primary target. In several instances, the Communists warned persons connected with the programs to cease their activity or face reprisals.

6. On 23 October enemy forces launched a multi-company attack on a Vietnamese Army battalion supporting an RD team in Phu Hoa District, Binh Duong Province. In this engagement, one ARVN company was hit

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hard and the battalion outpost and a Popular Forces outpost both came under heavy fire; however, the enemy was repulsed. Enemy propaganda leaflets found after the battle stated that the attack was to "punish" the battalion for supporting the RD program and for not heeding previous Viet Cong warnings to end this support. On the nights of 27 and 29 October, enemy forces made an unopposed entry into the hamlet where the team was working. On the 27th, the enemy delivered a three-hour propaganda lecture to members of the hamlet RD council and, on the 29th, took seven members of the hamlet self-defense force as recruits for their own military forces. The South Vietnamese Army security battalion did not react to either of these incidents. In addition, low-level agent reports derived from Vietnamese intelligence sources indicate that enemy rice and tax collection units in Binh Doung move almost at will throughout the province.

7. Other provinces in which security and pacification are believed to have declined in recent months have been reported on in previous issues of the Situation in South Vietnam (Weekly).

Dak Son

8. The montagnard village of Dak Son, located a mile and a half from the town of Song Be in Phuoc Long Province, was attacked and overrun on the morning of 5 December. An unknown-size enemy force, apparently divided into a number of smaller groups, overran a series of allied positions and rampaged through the village for about seven hours. Although the village received air and artillery support, no ground reinforcement was attempted until daylight.

9. The village is inhabited by members of the Steng tribe, a montagnard group which numbers about 20,000 and constitutes nearly half the population of Phuoc Long Province. Over the past several months ill treatment of the montagnards by the government has led more of them to move into the hinterland, where they reportedly were providing a willing labor

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force for the enemy. The approximately 2,000 Steng tribesmen who lived in Dak Son were some of the last residing under government control in New Life settlements.

10. In addition, a large number of the people in Phuoc Long Province had evacuated their villages during the past few months because of the proximity of enemy forces. In the absence of secure land transportation out of the province, most of these moved into the areas surrounding Song Be-Phuoc Binh. The very limited RD program in Phuoc Long has, for the above reasons, come to a virtual standstill. The major portion of the military action has been occurring in Phuoc Binh District--where Dak Son is located and where the RD program and the bulk of the population have been concentrated.

11. A number of reasons have been put forward to explain the particular attack on Dak Son. A Vietnamese newspaper has reported that the enemy was seeking revenge because the villagers betrayed North Vietnamese Army positions to the government. A US correspondent on the scene has reported that the attack was apparently in reprisal for the villagers' refusal to supply recruits for the enemy labor forces. Another press report has suggested that the invading enemy forces yelled to the people hidden in bunkers to "come with us or die." Since the majority of the montagnards did not speak Vietnamese, they were possibly unable to respond. The enemy thereafter turned flamethrowers into their huts and hideouts.

12. At least 74 persons have been killed in Dak Son, including 68 civilians, four RD cadres, and two Popular Force soldiers. At least 53 persons have been wounded thus far, but both killed and wounded figures will probably rise as the area continues to be searched for survivors.

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Pacification Funding and Planning

13. In the past few months the US Mission has attempted to strengthen its advisory position in the pacification programs by exerting a greater degree of influence in program planning and, in certain cases, program execution.

14. In October, a special US fund for the support of pacification was established in each corps, province, and district, under the respective control of the corps deputy chief of staff for CORDS and province and district senior advisers. The fund is to be used locally to supplement--not replace--government funding which is available to support the pacification program. This special fund will, however, provide an immediately available source of financial support in the event that normal sources are inadequate or are not available because of other commitments. The lead time for government funding has usually been about a year and, as a result, timely support for unprogrammed activities or projects has not always been available through Vietnamese channels.

15. On a monthly basis, each corps CORDS representative will receive 450,000 Vietnamese piasters, each provincial senior adviser will receive 100,000, and each district senior adviser will receive 50,000 piasters for RD program support. In addition, the senior advisers of the autonomous cities of Cam Ranh, Da Nang, and Vung Tau will be authorized 100,000 piasters per month. Provisions have been incorporated for the transfer of funds within provinces and corps after approval of the next higher headquarters. Any requirement for an expenditure of more than 80,000 piasters on a single project requires the approval of CORDS headquarters in Saigon.

16. Those programs which the MACV/CORDS senior advisers are authorized to support include refugees, health, education, public works, anti-infrastructure and civilian screening operations, village/hamlet administration, and psychological operations. Certain costs incurred in support of these programs for supplies and equipment, maintenance, rents, daily

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labor, or transportation may be met through expenditures from these US funds.

17. The US Mission has been attempting to obtain Vietnamese Government agreement for a joint sign-off arrangement on planning, programming, and budgeting documents but not on the authorization of expenditures. The major advisory effort concerns the pacification plan. US officials have submitted a draft memorandum of understanding to the Vietnamese Government which provides for a joint sign-off on the provincial RD plan and any important revisions to the plan which may be made during the year. US advisers have already succeeded in obtaining Vietnamese cooperation for a joint sign-off provision on the combined campaign plan.

18. American officials believe that it may be more important to establish detailed, mutually agreed upon province plans than to control each increment of Vietnamese piaster expenditure. By using this approach, advisers believe that they can obtain better coordination, establish a basis for measuring progress, and obtain a means for monitoring deviations from agreed plans and goals. If deviations from RD plans become excessive, advisory pressure can be brought to bear at province, corps, or national level, as appropriate, in accordance with plans for the use of advisory leverage which are now being developed by the US Mission.

19. The government of Vietnam has taken some steps to provide some of the local units of government with a source of fiscal support so they may be able to fund their pacification efforts. In mid-October the Vietnamese Government enacted a decree which transferred almost all land tax authority to some of the local units of government. According to the decree, the land taxes on the real estate located in the Saigon area, or in the provincial and district towns is to be collected for the Saigon, provincial, or municipal budgets. The decree did not, however, resolve the question of provincial authority and responsibility and the differences between autonomous and nonautonomous municipalities

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for both revenue collection and budgeting purposes. A meeting of tax officials was scheduled for mid-November to review implementation of this decree. US advisers--through Public Administration and the Internal Revenue Service teams--hope to help the government resolve the many areas of organizational responsibility and implementation provisions that need clarification.

20. According to the October land and property tax decree, the minister of finance has the authority to set broad minimum and maximum tax rates for the different categories of land and property, but within these guidelines local governing bodies, probably down to the village level, will have the authority to levy and collect their own taxes. None of the revenue collected by these local governing bodies will, according to the decree, go to the national government. It is also probable that the national government will subsidize the local governments with additional funds.

21. The national government apparently hopes to raise the majority of its funds by revising its tax collection laws and methods. US officials have been working closely with Saigon government officials in this regard.

22. Total national tax collections for the first nine months of 1967 were 47 percent higher than last year; income tax collections--over 17 percent of all taxes collected--doubled over those for the same period of 1966. In addition, the government has approved a 1968 budget for 95 billion piasters; however, advisers feel this to be unrealistic and feel it will probably have to be revised upward.

Chieu Hoi Affairs

23. On 5 December, 38 enemy personnel rallied to the government in Quang Tin Province. All 38 are from the village of Loc An located 17 miles west of the provincial capital of Tam Ky. The Hoi Chanh (ralliers) range in age from 15 to 46 and reportedly include 18 members of the village guerrilla platoon and 20 village-

level members of the National Liberation Front infrastructure. Included in this latter group are four female nurses. Members of this group later led US troops to a small munitions cache. The Hoi Chanh claimed they rallied because of a lack of food, fear of death, and a loss of belief in the Viet Cong cause.

24. On 9 December, course number seven will graduate from the Vung Tau National Training Center for RD cadres. Of the 3,229 students who are expected to graduate, 2,050 are in the basic course and the remainder are in leadership and other specialist courses. Another class, the tenth, is scheduled to begin on 18 December with 3,552 basic students. Of this group, 180 are to be trained as psychological warfare specialists.

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III. ECONOMIC SITUATION

Despite rising rice prices the retail price index for Saigon remained stable during the week ending 27 November. Free market currency prices returned to the levels prevailing prior to the devaluation of the British pound, but the price of gold continued to rise. Early estimates indicate that rice production in the crop year 1967-68 will be roughly the same as in 1966-67. A privately owned department store and a government-owned supermarket, recently opened in Saigon, have been criticized for concentrating too heavily on luxury goods.

Prices

1. During the week ending 27 November the USAID retail price index for Saigon remained at the level that has prevailed since 6 November despite rising rice prices. The price of US medium-grain rice rose sharply, reportedly because the government suspended releases from its stock of imported rice. This increase, in turn, influenced domestic rice prices, which rose to a lesser extent. Cabbage prices also were higher because supply was diminished, but the over-all index for food prices was unchanged as fish and shrimp prices fell. The price of shrimp reached its lowest level since May. The index for nonfood prices declined slightly as the price of laundry soap fell for the first time since starting its rise early in October and all other prices were unchanged. (A table of weekly retail prices in Saigon is included in the Annex. Charts on cost of living, money supply, and foreign exchange reserves are also included.)

2. The index for prices of US-financed imports remained stable during the week ending 28 November,

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although prices of individual commodities varied considerably. Prices of galvanized iron sheet dropped sharply because of new arrivals from South Korea, but prices of most other goods increased.

Currency and Gold

3. Free market currency prices returned on 27 November to the levels prevailing prior to the devaluation of the British pound and the Hong Kong dollar, but the price of gold continued to move up. The embassy reports that currency rates have fluctuated greatly since the devaluation as a result of local market speculation. On 27 November the price of green dollars was 156 piasters per dollar, or eight piasters below the price of the previous week. A dollar's worth of gold leaf, based on a gold price of US \$35 per troy ounce, was selling, on the other hand, for 213 piasters, or two piasters higher than the previous week. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

Estimate of Rice Production for 1967-68

4. Early estimates of rice production in the crop year 1967-68 indicate that the rice harvest now under way will yield roughly the same quantity produced in 1966-67. According to the South Vietnamese Ministry of Agriculture, total output in the crop year ending 30 May 1968 is expected to be about 4.3 million metric tons of paddy compared with 4,336,000 tons in 1966-67. Production has declined steadily since 1964 when the crop was 5,327,000 tons of paddy. Output in IV Corps is expected to be about 8 percent above last year's flood-damaged crop, but this increase probably will be offset by declines in I and, possibly, II Corps. The estimate for IV Corps is based almost entirely on higher yields because the area under cultivation is believed to be only a few hundred hectares larger. Production in IV Corps, which accounts for about two thirds of total output, still will be about 9 percent lower than the average of the last five years.

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Shopping in Saigon

5. With considerable entrepreneurial insight, Bui Trac, Saigon industrialist and merchant, has recently opened South Vietnam's first American-style department store, called Saigon Departo. Stocked like a cross between Lord and Taylor's gift shop and Sears' housewares department, the new Saigon Departo offers automatic washers, typewriters, radios, cosmetics, perfume, and rice cookers. The store opened in July 1967 and now reports daily sales of about 500,000 piasters. Advocates of Departo claim the wide range of lower-priced goods will be counterinflationary. Critics retort that most of Departo's stock consists of luxury goods that the South Vietnamese peasant can ill afford. In any event, the black market seems to offer brisk competition to Departo in many of the same goods.

6. Demonstrating some entrepreneurial imagination of its own, the government in October opened a new American-style supermarket called Nguyen Du. The store is under the direction of the government's General Office of Supply and is financed by the National Bank. Merchandise offered by the new store consists mostly of fresh and canned vegetables, beverages, meat, clothing, and, oddly enough, motorcycles. The daily sales volume of Nguyen Du varies between 600,000 and 800,000 piasters, although it has gone as high as one million piasters a day. Like its corporate cousin, Departo, Nguyen Du has been accused by critics of concentrating too heavily on luxury goods. Nguyen Du, however, does offer some bargains on such basic foods as frozen chicken and pork, rice, and nuoc mam. Tran Do Cung, director of the General Office of Supply, is optimistic about the future of the supermarket and would like to see 20 additional stores in the Saigon area.

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TABLE

Weekly Retail Prices in Saigon a/

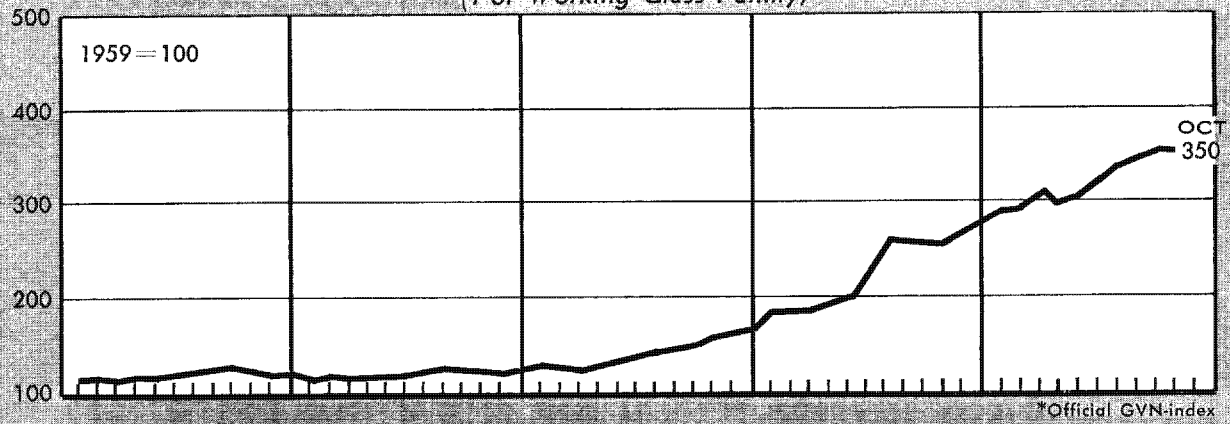
	13 Jun 1966 b/	3 Jan 1967	6 Nov 1967	13 Nov 1967	20 Nov 1967	27 Nov 1967
Index for all Items	<u>173</u>	<u>225</u>	<u>303</u>	<u>301</u>	<u>300</u>	<u>301</u>
Index for Food Items	<u>190</u>	<u>242</u>	<u>326</u>	<u>337</u>	<u>337</u>	<u>337</u> c/
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.)	1,250	1,700	2,250	2,350	2,400	2,500
Pork Bellies (1 kg.)	90	130	220	220	220	220
Fish-Ca Tre (1 kg.)	130	150	260	260	250	240
Nuoc Mam (jar)	70	90	150	150	150	150
Index for Nonfood Items	<u>140</u>	<u>195</u>	<u>233</u>	<u>236</u>	<u>232</u>	<u>230</u> c/
Of Which: (In Piasters)						
Firewood (cu. meter)	360	560	530	560	520	520
Cigarettes (pack)	10	14	14	14	14	14
White Calico (meter)	27	33	46	46	47	47
Kerosene (liter)	7.8	10.5	9	9	9	9

a. Data are from USAID sources. For all indexes 1 January 1965 = 100.

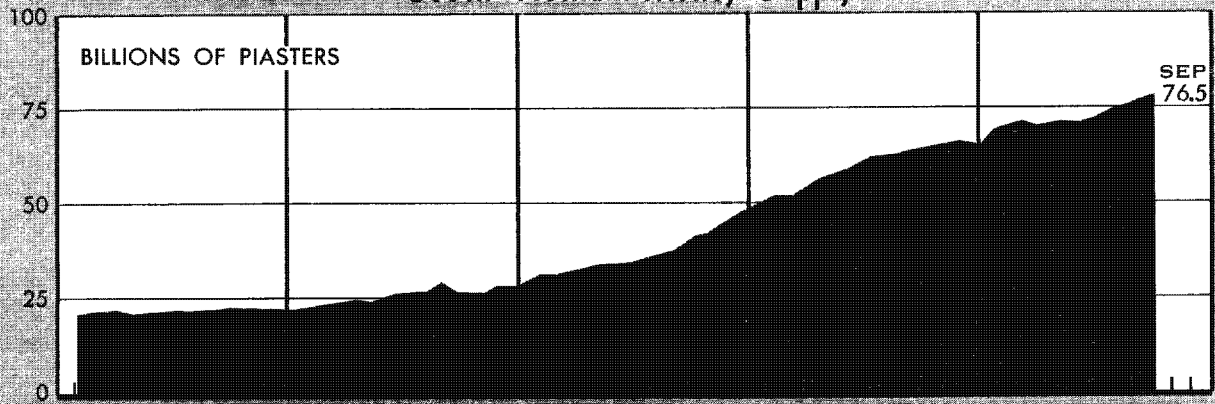
b. Price level just prior to the 18 June devaluation.

c. Preliminary.

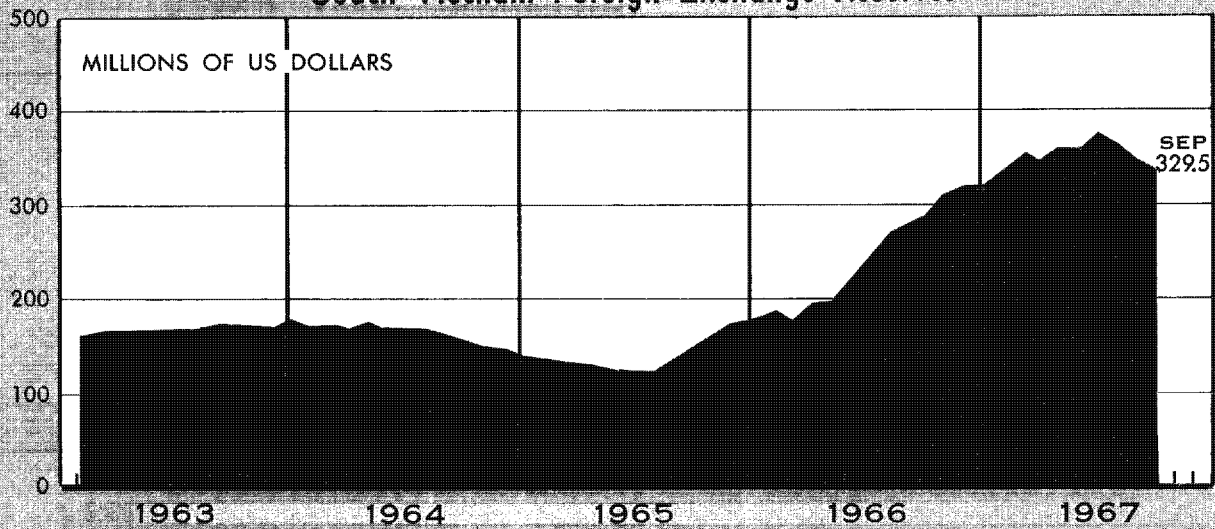
South Vietnam Cost of Living Index* (For Working Class Family)

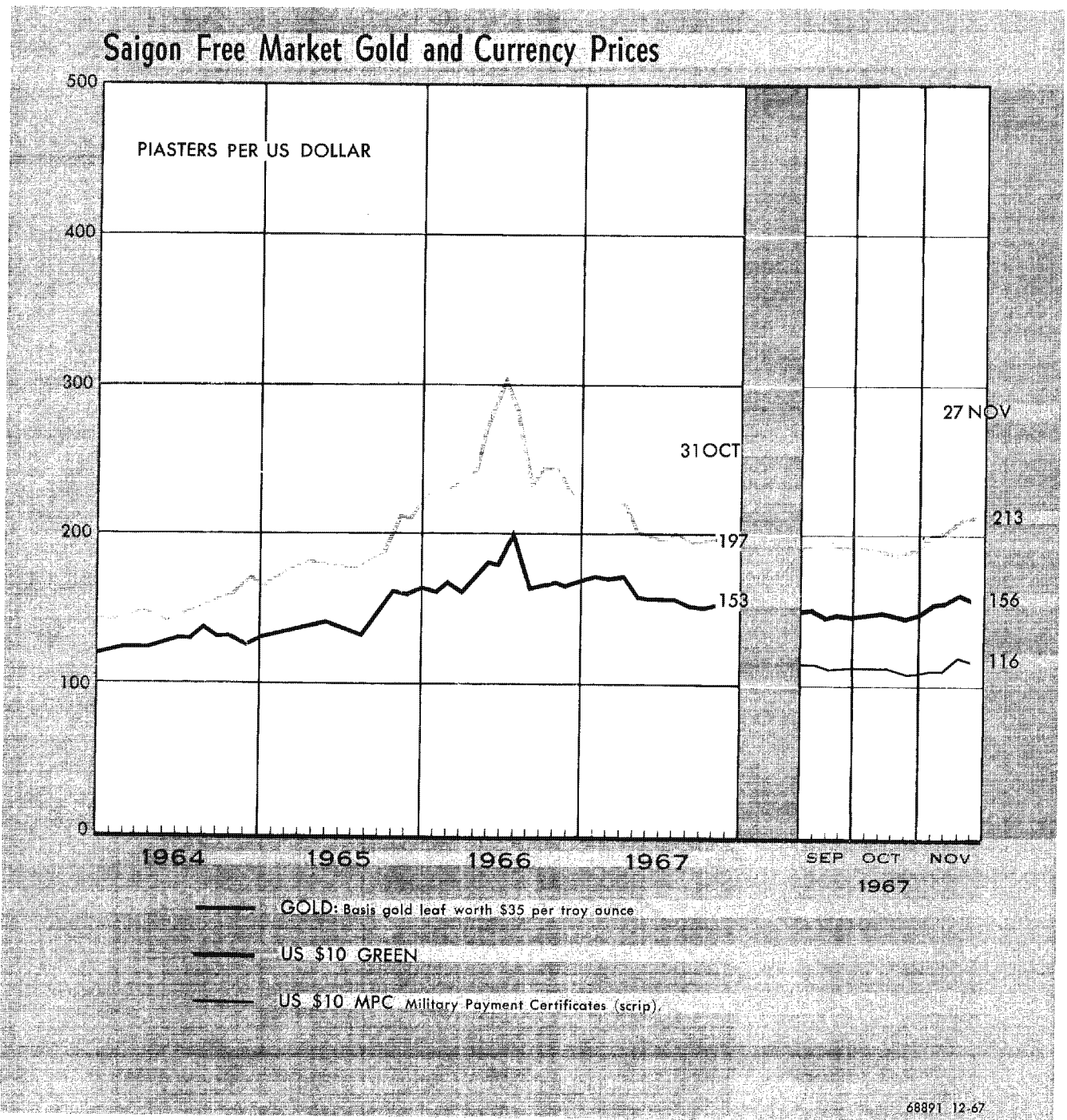


South Vietnam Money Supply



South Vietnam Foreign Exchange Reserves





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