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October 10, 1966

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SAIGON--The French economic toe-hold in South Vietnam is rapidly slipping.

Tensions between the French, on the one side, and the American-Saigon alliance appear to be reaching a new peak, in the wake of General Charles De Gaulle's Cambodian speech in ~~sep~~ September calling for the withdrawal of American forces from Vietnam. Two prominent French businessmen were arrested following that speech and held several days without charge before being released.

Reliable French and American sources substantiate that the war in the countryside has seriously battered the main rural French economic interests--rubber, coffee and tea plantations. And, at the commercial-financial level in the cities, the Vietnamese economy is slowing being geared to rely on the "American dollar instead of the French franc."

Most observers here agree, however: it would be a mistake to think that the French cultural and political influence is slipping as quickly as their economic position--in fact, some sources believe the French political influence is ~~is~~ gaining among Vietnamese intellectuals. As the war becomes more intense, "there is a growing middle ground that rejects both the Communist side and the pro-American, anti-Communist side," one Vietnamese politician explained.

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"More and more Vietnamese want an end to the war--and that means De Gaulle's proposal for neutralization of Vietnam looks more and more attractive to them," another politician explained. Many older-generation Vietnamese, schooled and cultured in French, are still "sentimentally" closer to the French than to the Americans.

Oddly enough, "all the French here are French--but not all of them favor De Gaulle," one source explained. Some of the economic firms ~~here~~ are headed by former French officers who served in Algeria and feel De Gaulle "cheated us from victory" by making his political settlement there.

Official French sources revealed ~~here~~ there are roughly 14,000 French citizens currently in South Vietnam, broken into four categories: 4,000 Frenchmen from France, 4,000 Eur-asians, 4,000 Vietnamese with French nationality and 1500 French citizens of Indian stock from the French city of Pondicherry in India. These dark-skinned Indians, many of them shopkeepers in the major cities, ^{are} generally the middlemen in black-market currency operations.

The four thousand French from France includes diplomatic officials, four hundred young, good-looking teachers in French-operated schools, members of a sophisticated cultural mission, sixty experts in a technical mission and twenty doctors in ~~a~~ Saigon's elite French-run hospital. Others include old French colonialists--some born and raised in Vietnam--roughly two hundred of these old-timers a year sell out their economic interests and return to France, according to French officials.

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French commercial activities in the cities are gradually being pushed out by the increasing "tide of American dollars" flowing into Vietnam. Of the principal foreign banks in Vietnam, three are French managed; two ^{were owned by} new American banks--the Bank of America and Chase Manhattan--opened up this year to squeeze into the financial market. In January, 1964, in reply to General De Gaulle's first proposal for the neutralization of Vietnam, the Saigon military regime banned all imports from France. While French import firms still continued to operate (and some French goods ^{were} smuggled in), their commodities are now imported from free world countries other than France. French-owned garages in Saigon are now selling Japanese or American cars; French-designed Peugeot and Renaults are still imported--but only those manufactured or assembled in ⁸ Brazil or Milan, Italy.

French-owned restaurants, bars, beer plants and hotels are doing a booming business--but American or Chinese [✓] financed ² ~~resta~~ businesses are also moving into this sector.

In the countryside, where the battlefield is often a rubber plantation as well as a jungle stronghold, the French economic interests are hardest hit.

"But, French plantations and Vietnamese rice paddies have been damaged with equal ferocity," one French planter quickly pointed out. "It's not an anti-French move--it's part of the war."

American field commanders suspect--and French managers concede--that the French rubber plantations are havens for the Viet Cong Communists. Some planters even say their own plantations workers are Viet Cong, but are unable to control them.

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The three major French-owned and operated rubber plantations which account for sixty per cent of Vietnam's rubber export have been significantly affected either by military operations, including Viet Cong attacks, American air and artillery, or by American defoliation of the jungles in which the non-lethal spray is blown into the ^{fringes} ~~fringes~~ of the plantations.

In ~~1965~~ 1964, rubber production was 69,000 tons; in ~~1964~~ 1965, 56,000 tons—a drop of thirty per cent. A reduction of at least twenty ~~more~~ ^{more} percent ~~is~~ ~~predicted~~ predicted for 1966. French managers complain that in some cases the houses and processing facilities of their rubber plantations have been closed either by Viet Cong mortars or have been occupied by American troops.

The ~~U~~ American government finances a 175 million piastre fund (US\$1.5 million) to ^{indemnify} ~~indemnify~~ those individuals or firms for destruction caused by the war (up to fifty percent of assessed value) or by defoliation (100 percent of assessed value) for each rubber tree). But, French planters complain they are not getting ^{very} paid fast by the Vietnamese government, which is responsible for the ^{indemnification} ~~indemnification~~ fund.