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ECONOMY 1 (NORMASS/DEEPE)

SAIGON, MAY 19²⁰--The Paris peace talks plus the Communists' latest, unsuccessful ground offensive into the fringes of the capital has thrown a dark cloud over South Vietnam's economy.

Two other significant factors are also considered to be contributing to this republic's cloudy economic picture: first, the Communists' gradual and partially successful attempts to strangle the urban centers economically, thus fermenting a food shortage, and second, the Communists threat resulting from the Communists' recent appeal to for urban workers to "uprise" against the central government.

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economy 2 (normass/deepe)

The general state of the economy is regarded as either "serious" or "very serious" by Vietnamese specialists—and they predict it to ~~wr~~ worsen in the longer-range future. Some Western economists report fearing another lethal round of inflationary prices later this year.

Some Vietnamese businessmen thought President Nguyen Van Thieu's announcement this week-end of a complete change in the Cabinet and the Prime Minister had shed a few rays of ~~w/~~ encouraging sunlight through the dark economic clouds. One typical comment by a Vietnamese businessman:

"The change in the government can give us a new hope that will be very narrow and ~~thing~~ thin. But Tran Van Huong (the newly-named Prime Minister) will ~~h~~ have the same problems as Nguyen Van Loc (the outgoing Prime Minister). The only hope is that Mr. Huong can avoid or prevent some problems ~~rather than~~ ~~caused~~ caused by lack of decision or by running after, instead of ~~de~~ ahead of events."

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economy 3 (normass/deepe)

South Vietnam's highly complex war-time economy is actually, in simplest terms, two separate economies ~~inadequately~~ inadequately complementing each other. The one economy is based on local production—largely of agricultural commodities in the countryside. The war in the countryside, increasingly bitter since 1964, has heavily damaged, if not devastated, this rural economy, for a number of reasons, including a vast refugee migration of peasants to the cities. A key index of this disruption is rice, the country's chief rural commodity and principal foodstuff. South Vietnam in the peak year of 1967 exported 300,000 tons of rice. In 1968, South Vietnam is ~~scheduled~~ scheduled to import 100,000 tons of U. S. American rice.

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economy 4 (normass/deepe)

But, while the United States can file the rice vacuum, it can not supplant all of the other goods of the countryside and services in the cities, such as provincing providing the Vietnamese special fish sauce, called nuoc mam, eaten at each meal, or furnishing haircuts and cyclorides. The inflation which has ^{come to dominate} ~~resulted in~~ the daily lives of Vietnamese average Vietnamese ^{resulting} ~~has resulted~~ from the scarcity of necessities partill partially reflects the Communists' policy of attempting to strangle economically, if not to starve, the urban, food-deficit centers.

On May 15, an official American weekly economic index of Saigon retail prices showed a two per cent drop in the cost of living for average Vietnamese over the preceeding week—when fighting raged in the outskirts of Saigon during the Communists' second ground offensive near the capital. But, on the longer term, the index also showed a 24 per cent inde ind increase in prices over a month ago, a 35 per cent increase since the beginning of 1968 and a 65 56 per cent increase over a year ago—May 15, 1967.

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economy 5 (normass/deepe)

Samples of essential items in Vietnamese daily life which have risen dramatically in price since a year ago in May are: pork bellies, up 115%; beefsteak, up 48% 48%; fish, up 65%; live chickens up 43% 43%; nuoc nam, up 20%; condensed milk, up 100%; onion shoots (commonly used in Vietnamese soups), up 344%; Chinese cabbage, cabbage, up 100%; duck eggs (a nutritious delicacy), up 131%; cucumbers, up 100%; firewood, up 42%; white calico, up 73%; newspapers, up 67%; haircuts, up 75%; busfare, up 72%; cyclofare, up 75%.

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economy 6 (normass/deepe)

"The Viet Cong target to make an economic blockade of Saigon is now very clear," one Vietnamese economist explained. "The Ministry of Agriculture is trying to counter this by fostering production of foodstuffs around Saigon, by giving alot of credit to small farmers in the suburban areas, especially to raise ~~chickesn~~ chickens and pork. It is the poor people mostly, including the underpaid Vietnamese government troops, that suffer most by these rising food prices, because the poorer you are, the more you spend proportionately on food.

"We must also recognize ~~the that~~ that the Viet Cong have a big budget inside ~~South Vietnam~~ of about 12 to 15 billion piastres (one-sixth the size of the Vietnamese government budget) and they are competing with us ~~to buy goods~~ this side to buy scarce goods, especially foodstuffs and par pharmaceuticals. In the countryside, they control much ^{of} goods in at the peasant level. Most of the ~~producers~~ peasants must pay the Viet Cong a tax--either in piastres or in foodstuffs. What the Viet Cong want now is the economic blockade of the city, and they are not entirely ~~fialin~~ failing. Thier organization for act economic ~~z~~ action is sometimes much more efficient than this side. They have their own tax collectors--but the Vietnamese government can not collect taxes from the people. The Viet Cong can control the means of transport; all trucks and barges and busses are under their control. All the forestry and logging ~~buss~~ businesses are under their control."

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economy ~~3~~ (normass/deepe)

The second of South Vietnam's economies is based on imports. This largely artificial program is immense--~~amounting~~ amounting to more than half-billion ^{U.S.} dollars a year. Directly or indirectly, this import program is American financed--either by the American government or the American GI's. There are three separate facets to this program. ^{Commercial Import} First, is the official American ~~economic aid progra~~ ~~import~~ program, totalling \$100 million for fiscal year 1968. Under this program, the American government finances essential imports to Vietnamese businessmen. The American government pays the American producer in dollars, but the Vietnamese importer pays into a joint Vietnamese-American "counterpart fund" the equivalent in Vietnamese piastres. This counterpart fund pays some ^A official American piastre expenses in Vietnam and the remainder is put into the Vietnamese government budget, which is largely a budget needed to run the Vietnamese side of the war. This program thus in effect promotes American business in America, fosters the Vietnamese ~~economy~~ economic development, dampens the Vietnamese inflationary spiral by bringing in essential consumer items and helps ~~finance them~~ pay, feed and cloth the Vietnamese armed forces.

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economy 8 (normass/deepe)

The second facet to the import program is similar, but more simple. It is in effect a ~~give giveaway~~ giveaway program, rather than at the government-to-government level, rather than a commercial program. The American government "grat" grants or gives to the Vietnamese government supposedly agrivul agricul agricultural surplus items--in this case mostly rice--under the ~~PL 480~~ program. ^{"Public Law 480"}

^{rice} The commodity is turned over to the Vietnamese government free, which in turn sells it through regular ~~rice~~ commercial rice-dealer dealers ~~the rice~~ to the Vietnamese man-on-the-street. During fiscal year 1968, this will amount to roughly \$200 million. The piastre gains from this program also go largely into the Vietnamese budget to finance their side of the war.

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economy 9 (normass/deepe)

The third facet is a Vietnam war-time anomaly. It is the Vietnamese government foreign exchange acquired at a rate of nearly \$1 million a day by selling piastres to American GI's in reut return for American dollars. The GI's spend the piastres on the local economy, ^{such as} for ~~seur~~ sour souvenirs or soupe chinoise; the Vietnamese government uses the hard-currency to finance Vietnamese businessmen importing a wide array of conside consumer items—such as Honda motorbikes from Japan., in the hopes the imports will ^{dampen} ~~absorb some~~ of the inflation and to keep Vietnam economically vial viable. While the ~~pr~~ prices of locally-produced goods has have risen dramatic the prices of imported goods, excluding construction materials, has been dropping.

The hinge for these import programs in one form or another is the Vietnamese and Chinese businessmen in the cities, who under the risks—and sometime in the past the windfall gains—of importing. But—if the businessmen refuse to import, then the inflation worsens in Vietnam, the import sector of the Vietnamese economy faces the prospect threatening prospect of collapse, and the Vietnamese government budget runs more and more at a deficit.

This is now considered the current danger. Businessmen are afraid to run the risks of importing.

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economy 10 (normass/deepe)

"The requests by businessmen for import licensing is the thing to watch," one Western economist explained. "When the Communists' Tet offensive hit (in late January), import licensing froze. Businessmen didn't want to run the risks of importing. Then the licensing started gradually to ~~import~~ improve and by April it was good. Then the sec Communist second ground offensive hit (on May 5). Now it will be interesting to see if that will have a good ~~effe~~ big effect."

The mood among Vietnamese importers and economic observers, however, is pessimes pessimistic--siting a variety of factors ranging from the Communist war-time offensives to the Paris peace talks.

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Economic Index 5 on.
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economy 11 (normass/deepe)

One reliable economic os observer expressed the "peace" Paris peace dilemma for Vietnamese businessmen this way::

"If the p a peace talks break down on a solution for South Vietnam, then there will be more Communist urban attacks on the cities and the factory owners and industrialists will be hurt as they were during the Tet offensive." For example, during the Tet offensive, the Viet Cong holed up in several textile factories--and American helio helicopters came in and flattened those plants. Vietnam's textile industry is now virtually extinct gone.

"But, on the other hand, if the peace talks do bring a solution to the war in the South, South, then the whole war-time economy must be reconverted to a peace-time economy--and that may even be/s worse than the present state of affairs.

But, that peace-time economy is will not be under the control of the anti-Communists--the capitalists and the businessmen. Soe they do not want to invest in Vietnam--they want to get their money out of Vietnam."

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economy /2 (normass/deepe)

~~explained the typical mood in business circles here:~~

Or as an influential Vietnamese businessman explained: "The first

order of the day for any businessman is to go up to his roof to look at his factory ^{SHP} or ~~plant~~, and then he just prays to God that he doesn't see a column of smoke coming up from there.

"And the businessmen don't see any hope for improvement at this moment.

After the first Communist offensive into the cities we had a second one, and now maybe we'll have a third and fourth. The Communists are all around Saigon--they are trying to make this a Dien Bien Phu," he said referring to the famous battle that brought a Communist military victory over the ~~French~~ French colonialists and then Communist rule of North Vietnam.

"So, the businessmen are very upset because they feel they are undergoing many risks. At any moment, a shell can fall on their factories. The government is talking about some type of war-damage insurance, but that hasn't come through yet. ~~and~~ the businessmen are ~~complaining~~ a complaining ~~about~~ about the lack of decision by the government--in fact, there's no decision at all.

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economy ¹³ (normass/deepe)

"Not many businessmen think the Thieu government (under President Nguyen Van Thieu) can stand the ~~polie~~ political, military and economic offensive by the Viet Cong, he continued. "And they think things will be ~~was~~ worse after the ~~pe~~ Paris talks.

"The businessmen are ~~aw~~ afraid of the Paris peace talks because they see a coalition government coming up out of it for South Vietnam," he explained.

"But, this ~~only~~ ~~o~~ will only give the businessmen time to get their money out of Vietnam. A coalition government is very dan politically dangerous here, because it means ~~recon~~ recognition of the Viet Cong as a political force--and they are the strongest, united political force in the country. Hence, they'll take over the coalition.

And the ~~buss~~ businessmen know the Communists are not going to allow a free enterprise type of system at all."

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economy 14 (normass/deepe)

Another factor bringing uncertainty to the conem economic picture is the Communists's fiery uprising appeals to the Saigon workers, which would produce further economic dislocation, if not chaos, in the cities. Thus far, the Communist appeals have not surfaced their ~~announced effects~~ ^{visibly brought about their desired ~~results~~ *its objectives*} of "carrying a general strike" in the Saigon port, port, which would tie up import program, or and the "sensitive factories and agencies." But, the underground Communist activities have Communist underground agents, propagandais propagandists and fifth-com columnists have been circulating among the low-income urban-masses for years, reliable sources report, and thus this latent danger could erupt almost anytime without too much ~~reason~~ ^{*notice*}.

"Men and women working in these factories...should carry the general strike to occupy all these factories and installations important for the enemy's war effort," the Viet Cong said in an ~~appeal~~ ^{radio appeal} to workers in the Saigon area last week. "They should destroy what is needed to be destroyed and to save what is needed to be saved."

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economy 8 (normass/deepe)

economy 16 (normass/deepe)

The Viet Cong also issued their standard appeal for the workers to "uprise and move forward to carry out ^{many} ~~man~~ important ~~achievement~~ achievements," to "exterminate" the police, police intelligence informers, government precinct workers, to teak up police files mandatory for ~~govermme~~ governing the urban population, to join the Viet Cong in either self-defense or combat units, to support the Viet Cong by give giving them food and intelligence information, transporting and hiding weapons and war wounded and to refuse to sever the Vietnamese government armed forces.

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economy 16 (normass/deepe)

Last year, an American officer fighting in the Mekong Delta explained in laymen's language, but bitter tones, his ~~view of the raw view of the re raw~~ but realistic view of Vietnam's economy:

"The Vietnamese countryside is vein being bled white by the war; it is becoming a desolate wilderness, f if not a ~~gravey~~ giant graveyard. But, the Vietnamese cities are being relatively ~~splendorous~~, lavish superstructures, profiting from more refugee-laborers and more war-time spending. I've never seen such penthouse ~~appar~~ apartments and lavish living in the middle of a war."

But, now, ~~amprocedant~~ seven months later, cracks are appearing the urban superstructure—and it is beginning to totter.

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editor 1 (normass/deepe)

SAIGON, MAY 18--prohayward. sorriest we spent the day ~~tracking~~
tracking down the government change instead of getting the economic ~~to~~
piece off to you. The political situation seems too murky to write
^{Solid} an interpretive about at this time and view^{of} "cabinet" piece of
May 13, I decided to wait. The new cabinet is expected to be announced
Monday, or at the latest Tuesday, ~~we~~ we'll ~~file~~ try to file a long ~~to~~
piece then. I've received your Khe Sanh message, and will do my best
to try to get to Danang or Khe Sanh to answer your questions. However,
I ~~cannot~~ feel I must stay ⁱⁿ Saigon ^{awhile} at ~~least one week~~ to watch the
new Cabinet come in--and then to wait ~~a little while~~ to see the reaction
of the Vietnamese generals, who seem to be unhappy about the change.
There is alot of rumbling about coups etc. and the political situation
is now very unsettled. Is there any ~~chance~~ chance John Hughes coming in
to help out--there are just too many fronts to cover? And is there any
chance of John coming in so that I might be get a two-week vacation
late this month or in June? It's been a year since I've had a vacation
and I'm really tired. Thanks for your message. Regards ~~Bev.~~ Bev.

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