

The economy of this region has never been quick to change. It has been doing very well since it began the late recovery from Tet 1968. Prices have been fairly stable for several months, main roads have been open most of the time and goods have been moving between the countryside and the cities. There have been very healthy signs by the businessmen of more willingness to invest in longer range type of investment - new businesses and expansion and improvement of existing businesses.

Prices are generally on the rise again with a few exceptions such as pork, chicken and fish which reflects increased production. This increases in prices for a typical Vietnamese family market basket show from 4 to 21% higher price since January 1969 with the exception of Binh Dinh and Cam Ranh. There is more money circulating and as the Village Self Development program gets underway, there will be several hundred million more piasters in circulation. There will not be a corresponding increase in tax collection at least not within the next few months, until the village governments are functioning better and as the new tax collection incentive is put into practice at the village level. As the return of the refugees to their home villages and the resettlement in place continues, this adds more money and creates an increased consumer demand for all the goods it takes to get settled and to put land back into cultivation.

Commercial cement is in short supply and is expected to remain that way. The tentative arrivals at Qui Nhon and Nha Trang for the rest of this year are about 50,000 tons, obviously far short of require-

ments. Price controls on cement and on other items are attempted but are ineffective, so prices will remain high not only for cement but for all other building materials as well.

The effect from the TN-8 rice expansion will not be felt for some months yet but then it will mean more farmer income, increased requirements for milling capacity, transportation, storage facilities and bags plus more bran will be available for animal feed.

A whole range of side effects will occur and each a stimulus. Rice imports will decrease as local production goes up. This will modify port operation and the distribution system.

Credit for the small farmer and fisherman will remain inadequate. This will inhibit the rural development and will be felt by the refugees who returns to claim land previously abandoned. He will need many things to get the land back into production but will not have the necessary cash to make the recovery as quickly and thoroughly as he might if adequate credit were available.

Punds for business and small industry investment will have to come from local sources. The Industrial Development Center is not going to seek or respond to requests from the provinces though they had previously indicated they would.

Land reform will not be of significant proportions this year in this region to cause any effect on the economy.

Labor costs are going up. The recent raise in pay to some of the GVN officials is being followed in other areas by demands for more pay. A recent example has been the port workers at Nha Trang who want more money for unloading ships. Their recent demands were for a 100% increase per ton for unloading rice. Along with this is rising costs of warehousing and transportation. The railroad is not operating to the extent that it can compete with the truckers and force them to reduce charges. It would have to be opened from Saigon on a continued basis to accomplish this.

Knowing that the forces affecting the economy are not all mechanical but human as well and therefore imbued with an element of unpredictability - the big question mark now is what will be the effect of the U.S. forces reduction and talks of a possible coalition government. Many of the local people are worried about loss of jobs and loss of business. If the reduction of U.S. forces reaches the numbers said possible, this will have an effect in several of the provinces in this region. The GVN, local economy and the people are not prepared for any quick transition and certainly the economy without the large U.S. influence will not be able to maintain the wage scale and overall volume of business that is now in effect as a result of the massive U.S. presence. I'm not saying this is bad because at sometime the economy has to return to what would be a more normal status instead of the abnormal position it is now in - but the transition and adjustments will not be smooth and it will be a

painful process for many individuals directly involved, and could have adverse effects on the political stability that will be so important in the months ahead.

There will be little change in the economy during the next few months. Prosperity will continue though the outlook for the consumer will be one of rising costs. As the reduction of U.S. forces continues and as there is a clearer indication of where the reductions will occur, we can expect a corresponding decrease in business volume but most of all will be the slow down brought about by those who control the money as they take a more cautious approach to the future outlook of the economy.

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