

DECLASSIFIED

E.O. 12958, as amended, Sect 3.5

//SC/ Soubers to Smith 09/06/2002

By ajr Date 02/13/07

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

August 13, 1970

~~SECRET/EXDIS~~

National Security Decision Memorandum 80

TO: The Secretary of State  
The Secretary of Defense  
The Director, Office of Management and Budget  
The Administrator of the Agency for International  
Development

SUBJECT: Vietnam Economic Policy

The President has made the following decisions on U.S. economic policy for South Vietnam for FY 71 and beyond.

The level of U.S. foreign exchange support for Vietnam in FY 71 will be \$750 million. This support will be provided so as to obtain an effective exchange rate on GVN imports that permits open import licensing at the \$750 million level, i. e., the rate on non-essentials should be adjusted in order to permit open licensing on imports, thereby eliminating windfall profits and minimizing increases in the prices of essential imports.

The \$750 million level will be the ceiling for U.S. assistance to Vietnam for FY 71 and beyond. It is expected that as domestic production rises and GVN exports increase, U.S. assistance will decline so as to maintain the current level of consumption.

On the basis of current budget projections (see the attached table), \$740 million import funding will be available. The Department of Defense will provide the additional \$10 million to meet the \$750 level and the Department of Defense expenditure ceiling will be increased by the same amount. Likewise if other adjustments result in further shortfalls these will be compensated by similar increases in Department of Defense expenditures and adjustment in the Department of Defense expenditure ceiling.

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Note that MACV AIK expenditures will be reduced by fifty percent in order to minimize the inflationary impact of U.S. piaster expenditures for which the GVN receives no dollar compensation.

The Department of Defense should explore ways to increase on-shore procurement of items now purchased outside Vietnam as a means of increasing its dollar expenditures in South Vietnam and promoting economic development.

The U.S. will employ the assistance provided in accordance with the above guidelines to support and encourage GVN economic policies that accomplish the following:

- promote economic growth and exports,
- increase real domestic tax revenues by at least 10% per year,
- insure that the sales of U.S. imported rice are conducted so as to:
  - stabilize but not depress internal rice prices and encourage increased rice production,
  - move South Vietnam to self-sufficiency in rice at world market prices as soon as practicable,
  - rationalize official sales of rice to minimize the gap between official and free market rice prices and to eliminate the corruption attendant to the present system,
- insure that the GVN institutes a realistic accommodation rate,
- encourage the GVN to maintain reserves at \$200 million or less.

None of the foregoing policies should be pursued in a manner that would jeopardize the goals of Vietnamization or the fundamental objective of U.S. policy that the political forces within South Vietnam should determine its future. In particular, major or precipitous declines in the incomes of large income groups should be avoided, although slight declines are expected, particularly for farmers whose

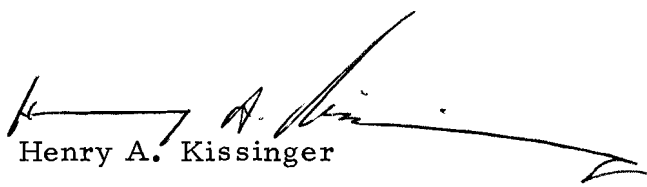
incomes have been greatly increased by recent price changes or urban workers who have profited from war-time economic conditions.

To provide on-going review of the foregoing policies and the economic situation in South Vietnam the President has directed that the VSSG:

-- monitor and report as appropriate on major economic developments in South Vietnam,

-- consider the adequacy of GVN civilian and military wages and the proposed GVN wage increase and possible implications of GVN wage policy for U.S. objectives,

-- develop a plan for funding in FY 72 the level of U.S. assistance required pursuant to the preceding policy.

  
Henry A. Kissinger

cc: The Secretary of Agriculture  
The Secretary of the Treasury  
The Chairman, Joint Chiefs of Staff  
The Director of Central Intelligence

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FY 1971 Sources of Commercial Import Financing  
(\$ US Millions)

|                        |            |
|------------------------|------------|
| CIP                    | 300        |
| PL-480                 | 135        |
| U.S. Piaster Purchases | <u>305</u> |
|                        | 740        |

Derivation of U.S. Piaster Purchases

Expenditures

|                         |           |
|-------------------------|-----------|
| DOD Regular             | 260       |
| DOD Other <sup>1/</sup> | 50        |
| Civil Official          | 50        |
| Personal Purchases      | <u>40</u> |
|                         | 400       |

Sources of Piasters

|            |           |
|------------|-----------|
| AIK        | 20        |
| Trust Fund | 40        |
| PL-480     | 25        |
| Other      | <u>10</u> |
|            | 95        |

Net U.S. Piaster Purchases \$305

<sup>1/</sup> Based on \$15 million for Special Forces, \$35 million for RDC.

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