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A COMPARISON OF THE ECONOMIES
OF NORTH AND SOUTH VIETNAM



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CENTRAL INTELLIGENCE AGENCY
Office of Research and Reports

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A COMPARISON OF THE ECONOMIES OF NORTH AND SOUTH VIETNAM*Summary and Conclusions

Although seriously affected by partition, the economies of North and South Vietnam have substantially recovered from the disruptions of World War II and the French-Indochinese War. Postwar reconstruction and development of the two economies, however, has required large amounts of economic assistance from abroad. Whereas North Vietnam (DRV)** has allocated a large proportion of economic aid from the Sino-Soviet Bloc and of its own domestic resources to investment in new productive capacity, South Vietnam (GVN)*** has devoted relatively more of its resources to the expansion of consumption. North Vietnam, as a result, has become much less dependent than South Vietnam on grants and credits from abroad and has laid the groundwork for continued rapid increases in industrial production.

Since 1956, economic activity has expanded at roughly the same pace in both North and South Vietnam; in 1960, the gross national product (GNP) of both countries was about one-third higher than in 1956. Average annual rates of growth for GNP, gross industrial production, and gross agricultural production from 1956 to 1960 are as follows†:

	<u>Percent</u>	
	<u>North Vietnam</u>	<u>South Vietnam</u>
GNP	8	8
Industry	26	21
Agriculture	5	7

* The estimates and conclusions in this report represent the best judgment of this Office as of 1 November 1961.

** Viet Nam Dan Chu Cong Hoa (Vietnam Democratic Republic -- commonly known as the DRV [Democratic Republic of Vietnam]).

*** Viet Nam Cong Hoa (Vietnam Republic -- commonly known as the GVN [Government of Vietnam]).

† The very high rates of growth in industry are calculated on a base (1956) that is low in absolute amount and reflects the effects of war-time interruptions to production. In addition, the rates of growth in both industry and agriculture are affected by biases in official statistics, especially in the case of North Vietnam. It is believed, nevertheless, that rates of growth and [footnote continued on p. 2]

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The relatively faster growth of industry* in North Vietnam is attributable to (1) North Vietnam's relatively favorable inheritance in mineral resources and industrial assets, (2) the priority of industry in the allocation of state investment, and (3) the large proportion of aid imports that has consisted of machinery and equipment and industrial materials. The postwar success of South Vietnam in agriculture, in turn, has reflected South Vietnam's comparative advantage in agricultural resources. In North Vietnam, although agricultural production as a whole has increased at an average annual rate of about 5 percent, production of food crops has lagged behind the increase in population; in 1960, drought and flood caused per capita food production to fall well below traditional requirements of the North Vietnamese population. In contrast to this poor performance, production of food crops in South Vietnam has increased at an average annual rate of about 7 percent. Per capita production of major agricultural and industrial products in North and South Vietnam in 1960 is given in the accompanying chart, Figure 1.

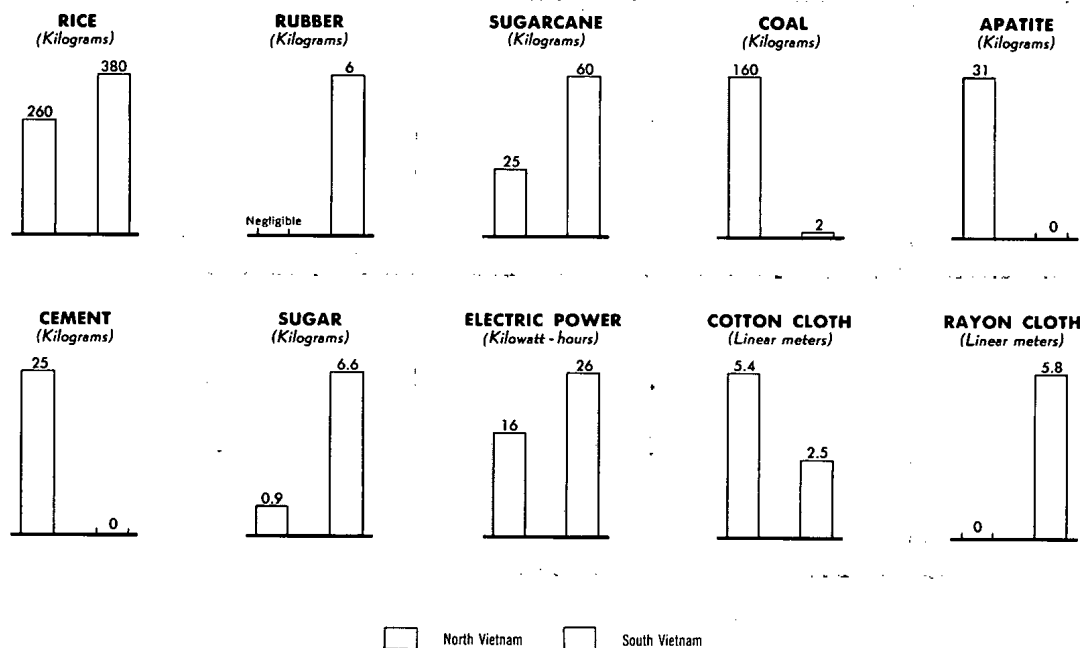


Figure 1. North and South Vietnam: Per Capita Production of Selected Commodities, 1960

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comparisons between the economies of North and South Vietnam made in this report are valid provided that limitations on the accuracy of the data are kept in mind. For more information on the problems in this general area, see Appendix B, Methodology.

* Unless otherwise indicated, the general term industry as used in this report includes production by both handicraft and modern (or factory) industry.

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Expanding domestic production has been augmented in both countries by large net imports, financed under the various economic aid programs to North and South Vietnam. During 1956-60 the net inflow of goods and services into North Vietnam is estimated to have amounted to 8 percent of GNP and the net inflow of goods and services into South Vietnam to 13 percent of GNP. On an absolute basis, South Vietnam received more than two and one-half times as much economic aid as North Vietnam during 1956-60. Whereas external economic aid as a proportion of GNP in North Vietnam has declined from about 15 percent in 1956 to about 4 percent in 1960, grants and credits to South Vietnam in 1960 still remained about 10 percent of GNP. The low level of South Vietnamese exports of rice and rubber and the poor prospects for a large increase in these exports suggest that the gap between import requirements and the capacity of the economy to export will not be closed during the next 5 to 10 years.

With enlarged domestic resources and increased import availabilities, North Vietnam has chosen to expand investment and military expenditures, holding down consumption relatively if not absolutely. In South Vietnam, on the other hand, a large proportion of resources has been used for maintaining a standard of living that is very high not only in relation to North Vietnam but also in relation to other countries in Southeast Asia. North Vietnam has raised investment as a percent of GNP from less than 10 percent in 1955 to more than 20 percent in 1960. In comparison, South Vietnam during the same period has allocated a fairly stable 8 to 10 percent of GNP to investment. In North Vietnam, advances in the standard of living have been no greater than those considered by the regime to be necessary to allay public discontent; in South Vietnam, the government has been reluctant on political grounds to take measures to reduce the relatively high standard of living. Life on the two sides of the border, accordingly, has been marked by increased disparity in standards of living and in growth potential.

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I. Comparative Resources

In June 1954, as a result of the Geneva conferences, Vietnam was divided at the 17th parallel into two roughly equal parts,* the north under the Communist Democratic Republic of Vietnam (DRV) and the south under the pro-Western Republic of Vietnam (GVN). Although still overwhelmingly agricultural, the area falling to the Communists contained all of the developed mineral resources and most of the established manufacturing industries of undivided Vietnam. The GVN, on the other hand, fell heir to the great rice-growing region of the Mekong River Delta, a region that had exported more than 1 million tons of rice a year before World War II. In contrast to the rice-surplus area of South Vietnam, the DRV was a food-deficit area, dependent on imports of rice and supplementary foodstuffs.

A. Natural Resources1. Agricultural Resources

Agriculture in North Vietnam is limited by rugged terrain, dense vegetation, and poor soil -- roughly two-thirds of the country is covered by mountain soils that lend themselves to the cultivation of only tree and shrub crops. Only about 1.95 million hectares,** or 12 percent of the total land area, is under permanent cultivation*** (see Table 1†), and the amount of cultivated land per capita in North Vietnam is only about 0.12 hectare.

Inheriting more than half of the land under permanent cultivation in undivided Vietnam, South Vietnam is richly endowed in agricultural resources. About 2.2 million hectares, or 13 percent of the total land area of South Vietnam, are under permanent cultivation.†† The amount of cultivated land per capita is about 0.15 hectares, or an amount about one-fourth again as large as the cultivated land per capita in North Vietnam. Whereas opportunities for the expansion of agriculture in North Vietnam are limited, there is good virgin land still awaiting settlement in South Vietnam -- it is estimated that about 1.1 million hectares of fertile but hitherto uncultivated land

* North Vietnam comprises roughly 48 percent of undivided Vietnam, or 158,750 square kilometers compared with South Vietnam's 170,850 square kilometers.

** One hectare equals 2.471 acres.

*** Double-cropping increases the sown area to approximately 2.75 million hectares.

† Appendix A, p. 47, below.

†† Double-cropping increases the sown area to approximately 2.8 million hectares.

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are available for agricultural expansion. Because of these unexploited agricultural resources, South Vietnam has a far greater potential in agricultural production than does North Vietnam.

2. Mineral and Energy Resources

Although North Vietnam has only limited mineral resources by world standards, it is one of the richest countries in Southeast Asia in mineral reserves. There are substantial deposits of iron ore (150 million metric tons*), phosphate rock (1 billion tons), and chromite (5 million tons) and less important deposits of tin, zinc, tungsten, manganese, bauxite, and salt. In addition, there are small deposits of copper, antimony, lead, silver, mercury, sulfur, mica, asbestos, and gold. Energy resources consist of sizable reserves of coal, extensive although depleted forest resources, and an undeveloped potential for hydroelectric power.** Reserves of coal, which are comparable in magnitude to those of Japan and Czechoslovakia, include at least 20 billion tons of high-quality anthracite coal and considerably smaller amounts (about 19 million tons) of bituminous coal and lignite. These reserves constitute a resource of unsurpassed importance in view of the great deficiency of petroleum resources and the serious depletion of fuelwood resources. Deposits of oil shale -- estimated to be about 15 million tons -- have recently been reported at Dong Ho, but there are no known resources of crude oil or natural gas. The lack of natural crude oil is the one conspicuous weakness in the resource pattern of North Vietnam.

Favored in terms of agricultural resources, South Vietnam is almost completely lacking in mineral wealth. The most important of known mineral resources -- the anthracite deposits at Nong Son -- are decidedly inferior to those of North Vietnam; workable reserves are estimated to be about 500,000 tons. Other known minerals include salt, lignite, gold, and copper. As in North Vietnam, deposits of limestone, clay, and white sand of varying quality also exist in various parts of the country. South Vietnam's deficiency in mineral fuels has not been offset by the development of its resources for hydroelectric power -- essentially all of its power is thermal power, using imported fuels. The development of unused hydroelectric resources is considered to be essential to future industrial development in South Vietnam as in North Vietnam.

* Tonnages are given in metric tons throughout this report.

** The DRV's hydroelectric power potential is estimated to be nearly 14 million kilowatts (kw).

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B. Industrial Assets

Industry in prewar Vietnam was small* and consisted primarily of the small-scale native craft industries that supplied the essential requirements of food, clothing, and shelter. Modern manufacturing industry, almost exclusively the creation of French private enterprise, was developed as an adjunct to the export of agricultural and mineral products; major facilities included rice mills, sawmills, sugar refineries, a zinc smelter, tobacco factories, and distilleries and breweries. The two major industries developed apart from raw material exports were the cement industry at Haiphong and the textile industry at Haiphong and Nam Dinh. These industrial installations together with a useful railroad system; the port installations of Saigon, Haiphong, and Hong Gay; a few electric powerplants; and a number of mining enterprises constituted the industrial structure inherited -- in extremely poor repair -- by North and South Vietnam in 1955.

More than 70 percent of production of modern industry in prewar Vietnam had originated in the northern half of the country, and about 90 percent of the labor force in modern industry had been employed in the mining and manufacturing enterprises of North Vietnam. Except for electric power, all heavy industry -- consisting of mining and metal-processing and the cement industry -- was located north of the 17th parallel. The DRV, therefore, fell heir to all the developed mineral resources, most of the established manufacturing industries, and more than half of the installed electric power capacity** of undivided Vietnam. South Vietnam's inheritance of industrial assets was limited to light industrial facilities in the tobacco, alcohol, soft drink, match, sugar, and rice-milling industries. North Vietnam's relatively more favorable inheritance in industrial assets, however, was somewhat balanced by the comparatively greater damage suffered by industry in the north during the French-Indochinese War.

C. Human Resources1. Population

At the time of the Geneva agreements in 1954 the population of North Vietnam was 1.3 times that of South Vietnam, and since then its natural rate of increase has been about 2.5 percent a year

* The proportion of the population engaged in handicraft industry, mining, and manufacturing was extremely small, perhaps no more than 5 percent.

** At the time of the Geneva agreements in 1954 the installed capacity of powerplants in North Vietnam was about 55,000 kw compared with an installed capacity in South Vietnam of about 47,000 kw.

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(see the accompanying chart, Figure 2). The population density as of mid-1960 averaged about 100 persons per square kilometer compared with

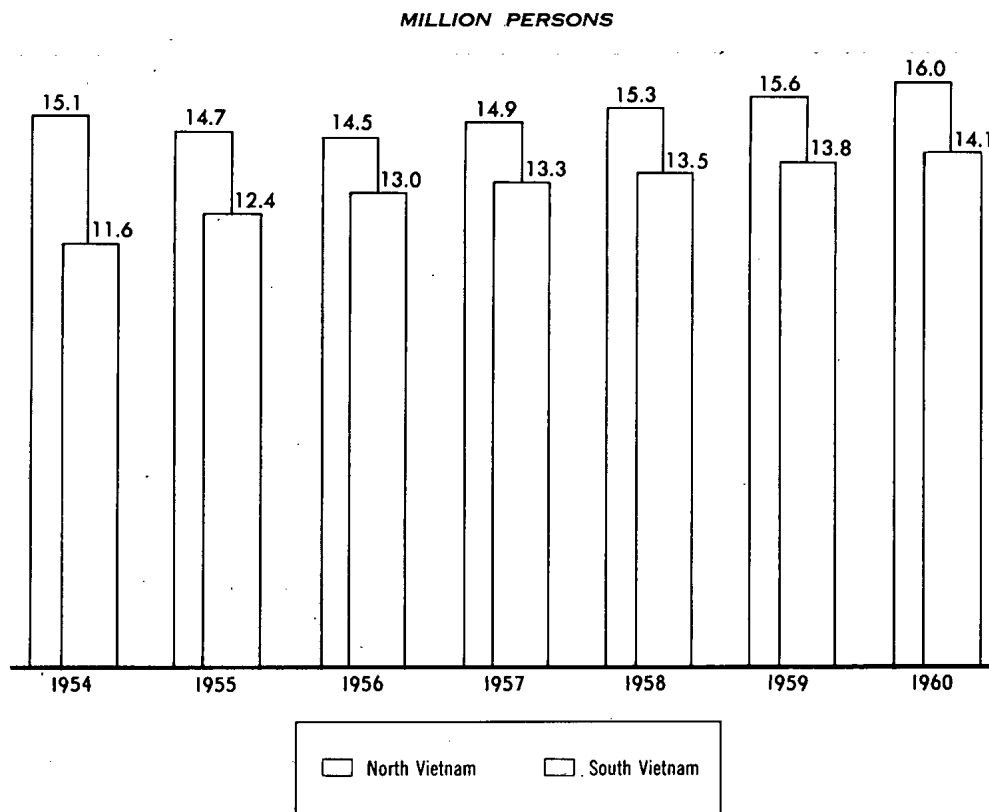


Figure 2. North and South Vietnam: Estimated Population, 1954-60 (Midyear)

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about 80 persons per square kilometer in South Vietnam. A country of about 12 million inhabitants in 1954, South Vietnam absorbed within less than 2 years (1955-56) and under the most unfavorable circumstances a group of about 900,000 refugees from the north. The sudden increase in population was a tremendous economic and financial burden, intensifying the problem of unemployment already existing in urban and rural areas and delaying postwar reconstruction and development. In spite of the rapid growth in population since 1954, South Vietnam does not suffer the extreme pressure of population on agricultural resources that characterizes North Vietnam as well as many other parts of Asia. The pressure of population on land is, in fact, still among the lowest for the countries of Southeast Asia.

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2. Labor Force

In North and South Vietnam, as in most other Asian countries, there is a chronically inadequate employment of the abundant manpower resources. In normal times this condition takes the form of underemployment and low productivity of labor rather than outright unemployment. The composition of the labor force in both countries remains predominantly agricultural -- in North Vietnam approximately 75 percent and in South Vietnam more than 80 percent of the labor force are engaged in agriculture. The low level of industrialization is reflected in the fact that only about 125,000 persons are employed in factory industry in North Vietnam -- handicraft workers still account for more than 80 percent of the total industrial labor force of 645,000. The industrial labor force of South Vietnam -- less than 5 percent of the total labor force -- is composed primarily of handicraft workers.

3. Technology

North and South Vietnam both have been faced with a critical shortage of competent technical, administrative, and managerial personnel. At the beginning of the Three Year Plan (1958-60) in North Vietnam, only about 5 percent of industrial workers were listed as skilled workers and another 20 percent as semiskilled workers. The DRV announced that, in proportion to its population, North Vietnam had only about one-fiftieth as many skilled workers and one-twentieth as many semiskilled workers as the USSR had in 1913 and only about one-tenth as many semiskilled workers as Communist China had in 1949. In the higher skills, such as engineering and advanced technology, North and South Vietnam are particularly lacking. There was, for example, in North Vietnam in 1958 only one engineer for every 1,400 workers in industry. The acute shortage of skilled industrial labor has been a major obstacle to economic development in both countries.

Of the administrative, managerial, and technical positions in municipalities, utilities, industries, and transportation services operated under the French, about 15,000 key positions in North Vietnam were held by Frenchmen and about the same number of important subordinate positions by Vietnamese. The departure in 1955 of the French technical experts and supervisors and their trained Vietnamese staffs* left the DRV with the problem of filling about 25,000 important positions in government, industry, and transportation. Lacking the trained personnel for these more highly specialized positions, North Vietnam has been dependent on technical assistance from other Sino-Soviet Bloc countries. The influx of several thousand technicians from Communist China and the

* An unknown number (probably more than half) of the trained Vietnamese personnel in important operational jobs left with the evacuees.

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USSR -- essentially a stopgap remedy -- has been the major feature of the Bloc technical assistance program, which has included the supplying of technical data, advice in planning, and the training of Vietnamese abroad.* The North Vietnamese also have been devoting substantial efforts of their own to the training of technicians and skilled workers. Reflecting the trend in other Bloc countries, there has been a considerable emphasis in the educational system on practical, scientific, and technical education, with an increasing tendency to combine formal education with practical experience in factories, cooperatives, and other enterprises. In spite of the increased efforts of the regime to close the gap between requirements and supply of skilled manpower, limitations in training facilities still preclude the training of adequate numbers of engineers, technicians, foremen, and other supervisory personnel. Until such time as trained manpower becomes available, the DRV will remain highly dependent on technical assistance from abroad.

Technical assistance extended to South Vietnam since 1955 has amounted to approximately \$24 million,** or roughly 2 percent of the total US economic assistance to South Vietnam. These funds have been provided for the training of government administrators and statisticians, nurses, and teachers; the improvement of agricultural techniques; and the financing of economic surveys. Each of these training programs in South Vietnam has been supplemented by an extensive overseas training program under which Vietnamese students, civil servants, and other officials have been sent abroad for observation tours, on-the-job training, and specialized academic training. As of June 1960, approximately 1,100 Vietnamese participants had received overseas training -- mainly in education, agriculture, public health, and public administration.

II. Economic Planning and Policy

In North Vietnam, as in all Communist societies, the government has assumed control over the allocation of all productive resources and exercises this control through a central economic plan. South Vietnam, like many other underdeveloped economies, also has subscribed to the need for central planning in the allocation of resources. But whereas the Communist regime in North Vietnam quickly established effective political and military control over the country and instituted central planning and direction of the economy, South Vietnam -- operating under less authoritarian conditions and preoccupied with the threat to internal security posed by DRV subversion and guerrilla

* In 1960, approximately 1,000 North Vietnamese students were reported to be studying abroad.

** Except when otherwise indicated, dollar values in this report are given in current US dollars.

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warfare and the external military threat posed by the numerically superior North Vietnamese army -- has been unable to devote a large share of its resources and attention to long-range economic development.

A. Economic Administration and Control

The USSR first pioneered the development of central planning and direction of a socialist economy. Communist China borrowed heavily from Soviet administrative organization and techniques of planning, and North Vietnam in turn has adopted the Chinese economic administrative structure. All important economic decisions are framed by the Politburo of the Party Central Committee, which is made up of the dozen or so most powerful leaders of the Dang Lao Dong (Communist Party). Within the context of economic policies prescribed by the Party, the State Planning Committee (attached to the Council of Ministers) draws up the annual and long-range plans that govern the operation of the economy. The formal execution of the national economic plan is the primary responsibility of the administrative hierarchy of the government, but a Party structure paralleling and often interlocking with that of the government provides the top leadership of the Party with an effective means of overseeing the execution of plans at all levels of operation. Detailed targets for the main sectors of the economy, including the level of production for major commodities and the amount and types of capital construction, are sent down through the economic control structure to individual operating units. At regular intervals, these individual producing units report to supervising authorities (a central economic ministry or local government) on the degree of plan fulfillment. On the basis of these periodic progress reports, top-level administrators may order adjustments in the allocation of labor and materials to insure fulfillment of announced plan goals, or they may revise plan targets in keeping with changed economic conditions.

There is as yet no rigidly defined economic administrative structure in South Vietnam. The National Economic Council, appointed by President Ngo Dinh Diem and chaired by Vice President Ngyun Ngoc Tho, is constitutionally responsible for the development and coordination of national economic policy, under the President's supervision. A staff department, the General Directorate of Planning, also has been organized for the actual preparation of national economic plans. In practice, however, all important and many minor economic decisions are referred directly to President Diem.

B. Economic Policy

The actual extent of national planning has varied greatly between North and South Vietnam. The DRV, like other centrally planned

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economies, has attempted to implement plans affecting the entire economy. In South Vietnam, on the other hand, national economic plans have dealt mainly with major programs to be implemented in the public sector.

1. North Vietnam

The Communist regime in North Vietnam has adopted an economic program that has the following major features: (a) in industry, a program designed to restore prewar industrial facilities, to expand consumer goods industries, and to build up those branches of heavy industry -- such as iron and steel, electric power, simple machinery, and basic chemicals -- that are fundamental to any industrial development program; (b) in agriculture, a program designed to expand production rapidly and transform North Vietnam from a food-deficit to a food-surplus area; (c) in foreign economic relations, a program for absorbing material and technical help from other members of the Bloc and for expanding exports to match the level of imports; and (d) in economic administration, a program to force the whole economy into the typical Communist mold of detailed state control over every facet of economic life.

Economic policy in North Vietnam in 1955-57 was essentially a program of reconstruction after long years of international and civil war. The chief efforts of the regime were devoted to the rehabilitation of basic transportation and communications facilities and the restoration of prewar levels of production. Comprehensive government control was established over banking, modern industry, foreign trade, and domestic wholesale trade; the government moved slowly, however, in the socialization of agriculture, subordinating the goal of collectivization to that of increased production. The major goals of the Three Year Plan (1958-60) were as follows: (a) large increases in agricultural and industrial production, aiming, in the first instance, to provide an adequate food supply and greater export surpluses and, in the second, to lay the foundations for an industrialized state; (b) "basic completion" of socialization, which was represented as the inclusion of at least 75 percent of peasant households in low-level cooperatives, 100 percent of nonhandicraft workers in state or joint state-private establishments, and 75 percent of handicraft workers in low-level producer cooperatives; (c) limited improvement in the material standards of living; and (d) the strengthening of national defense. Second only to the task of building up production in heavy industry under the new First Five Year Plan (1961-65) is that of consolidating state control over agriculture, handicrafts, and retail trade.

The DRV has adjusted, when necessary, Communist principles of economic development to the realities of existing conditions in North Vietnam. Recognizing the limitations in economic resources, DRV

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leaders have spoken of the potential of the economy in terms of self-sufficiency in food, the development of a limited range of industries, and economic integration with the rest of the Bloc, but they have not proclaimed the more ambitious goal of the USSR and Communist China of economic self-sufficiency. In contrast to the USSR and China, North Vietnam has from the beginning given full attention to the development of agriculture. Agricultural policies have aimed at the fuller employment of North Vietnam's abundant labor force through the adoption of labor-intensive methods of increasing crop yields. The relatively greater emphasis on light industry has been an accommodation to limitations in capital plant and to the shortage of technical and managerial skills rather than an ideological deviation from the traditional Communist policy of a rapid expansion of heavy industry. Finally, in contrast to Soviet and Chinese emphasis on the construction of large-scale industrial facilities, the DRV has relied on the operation of small-scale industrial facilities, which employ available labor in quantity and afford the greater use of traditional production processes.

Although similarities in the population-resource base of Communist China and North Vietnam -- notably the enormous population relative to the amount of arable land -- have invited similar approaches to economic development, North Vietnam has been proceeding along the path of socialist development at a slow pace compared with China. DRV policies have fallen short of Peking's bold measures in breadth and vigor. In converting the bulk of private agriculture to the socialist system, for example, the DRV has followed the Chinese example of staged economic transformation, beginning with land reform and progressing through the formation of manpower-exchange teams to low-level agricultural producer cooperatives and finally to high-level cooperatives on the order of the Soviet collective farm. Socialization of agriculture in North Vietnam, however, has proceeded at a much slower pace than in China.* The regime has been compelled to move cautiously for fear of provoking active peasant opposition.

* At the end of 1960, roughly 85 percent of peasant households and about 75 percent of all cultivated land in North Vietnam were organized in cooperatives, but only about 10 percent of the 40,000 cooperatives had reached the "higher level" at which the means of production are owned in common. Organized on a township level, cooperatives were reported to average about 60 families (less than 10 percent had 100 to 200 families, only about 1 percent had 200 to 300 families, and a few dozen had about 1,000 families). The goal for agricultural socialization in 1965 closely resembles the organization of agriculture achieved in Communist China in 1957 -- high-level cooperatives organized on a village level, each composed of about 200 peasant families.

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2. South Vietnam

Since World War II and the French-Indochinese War the government of South Vietnam has assumed increasing responsibility for the allocation of national resources. With its control over the national budget and its regulation of foreign trade, it has influenced greatly the level of consumption, investment, and military expenditures. But in contrast to North Vietnam -- where state ownership of the means of production is prescribed on ideological grounds -- centralized allocation of resources in South Vietnam has not implied direct participation by the state in economic production. The government has left agriculture, handicrafts, and small-scale industry exclusively in private hands, and even in large-scale industry it has stepped in less on grounds of doctrine than of necessity when it has considered that private initiative has lagged.

The GVN has tried to adjust South Vietnam's economy as rapidly as possible to the loss of prepartition sources of supply. In industry the policy of the government has been to encourage production of commodities historically produced in the North -- in particular, textiles, cement, and paper. The government also has undertaken the development of a number of hitherto unexploited natural resources, such as the Non Son coal deposits and the water power of the highlands. The development of private industry has stressed those light manufacturing industries that serve the internal market and that therefore are assured of adequate demand. New enterprises for production of textiles, glassware, plastics, rubber goods, and pharmaceuticals have been added to the traditional industries of rice milling, sugar refining, beer and soft drink manufacture, and match and cigarette making.

The 5-year development plan (1957-61) also has emphasized the expansion and diversification of agricultural production so as to insure a more abundant and better-balanced food supply, an adequate supply of raw materials for local industry, and a greater variety of export commodities. A major part of the program in agriculture has been land reform -- a long-recognized need in South Vietnam, where large landholdings were the general rule before World War II. As of June 1960, more than 400,000 hectares of riceland had been redistributed to more than 100,000 persons.* Whereas socialization of agriculture in North Vietnam has proved to be a difficult and uncertain task, forced on a reluctant and individualistic peasantry, agrarian reform in South Vietnam has met with substantial success. No information available to date indicates widespread evasion by landlords or administrative

* In North Vietnam, more than 800,000 hectares -- or roughly twice the amount of land redistributed to date in South Vietnam -- reportedly was distributed in 1955-57 to more than 1 million persons.

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corruption, and prices set for the land on the whole appear to be fair and within the ability of new owners to pay without hardship.

III. Domestic Production

Both North and South Vietnam by now have made substantial economic recovery from the French-Indochinese War. Because of heavier war damage in the north, however, a larger proportion of economic growth in North Vietnam than in South Vietnam represents recovery from the postwar low of 1954-55 and a smaller proportion represents growth above pre-World War II levels of production.

A. Gross National Product*

Since 1956, economic activity has been expanding at roughly the same pace in both North and South Vietnam. In 1960 the GNP of both countries was about one-third higher than in 1956. The comparatively faster recovery of industry in the North resulted in relatively higher rates of growth in GNP in North Vietnam in 1956-59, but the serious decline in production of agriculture in North Vietnam in 1960 -- although somewhat compensated for by a large increase in production of industry -- resulted in an absolute decline in GNP in 1960 compared with 1959, as shown in the following tabulation:

	Index (1956 = 100)					Average Annual Increase (Percent)
	1956	1957	1958	1959	1960	
GNP						
North Vietnam	100	110	119	138	135	8
South Vietnam	100	102	118	128	135	8
Per capita GNP						
North Vietnam	100	107	113	128	122	5
South Vietnam	100	100	114	121	124	6

In contrast, the GNP of South Vietnam increased by approximately 5 percent in 1960 as a result of an increase in agricultural production of about 3 percent and an increase in industrial production of about 28 percent. On a per capita basis, GNP in both North and South Vietnam in 1960 was about one-fourth higher than in 1956.

* For the methodology, see Appendix B.

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In absolute amounts the GNP of North Vietnam in 1960 was roughly three-fourths that of South Vietnam -- or \$1.1 billion compared with \$1.5 billion in South Vietnam.* The per capita GNP of North Vietnam, about \$70, was about two-thirds that of South Vietnam, which was about \$110 (see the accompanying chart, Figure 3).

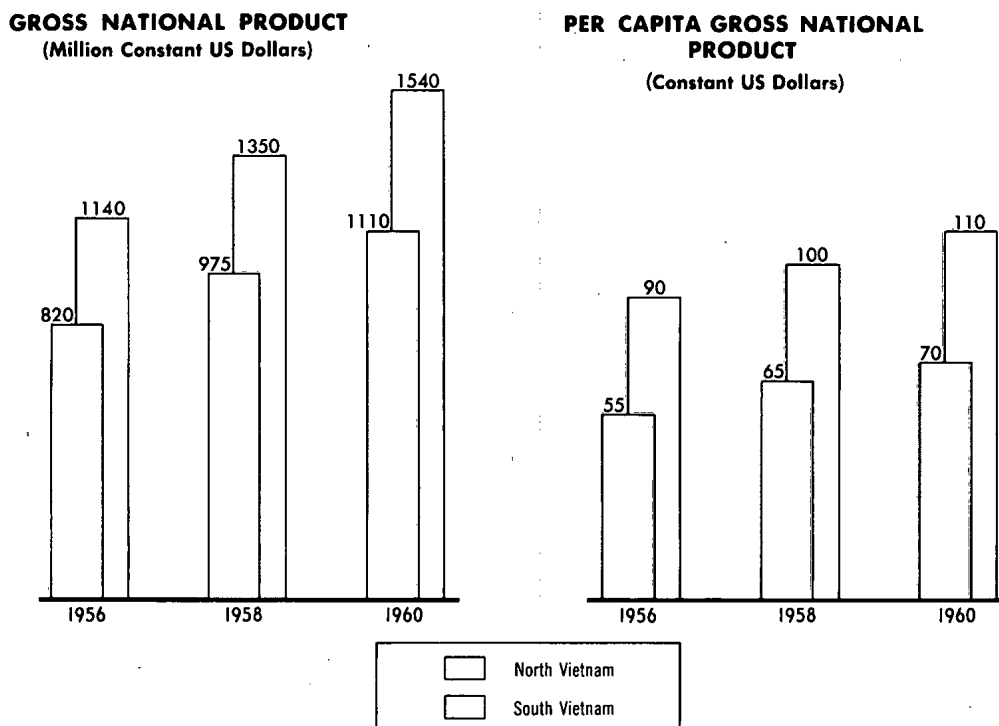


Figure 3. North and South Vietnam: Growth of GNP and Per Capita GNP, 1956, 1958, and 1960

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B. Industry

1. General

Industrial production in both North and South Vietnam has registered large percentage gains since 1956, when production was severely curtailed as an aftermath of war (see the chart, Figure 4**). In North Vietnam, production of industry in 1960 was about two and

* For an explanation of the rates used in converting dong and piasters into dollars, see the methodology, Appendix B.

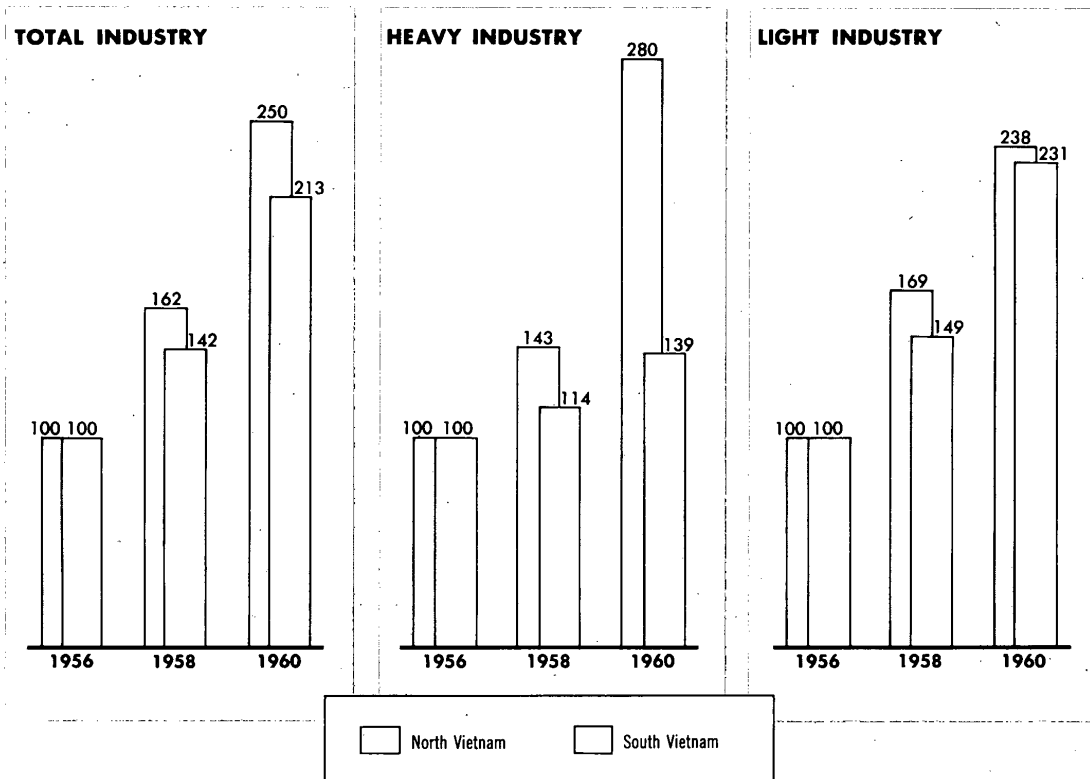
** Following p. 16.



Figure 4

50X1

NORTH AND SOUTH VIETNAM Index of Gross Industrial Production, 1956, 1958, and 1960



50X1

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one-half times that in 1956, representing an average annual increase of about 26 percent, and in South Vietnam the total industrial production was more than twice that of 1956, representing an average annual increase of about 21 percent (see Tables 2 and 3*). These increases in production of industry, although very large in percentage terms, represent for the most part a recovery to prewar levels of output.** In spite of more than a doubling in production, industry in both countries in absolute terms still remains small -- in North Vietnam it accounts for only about 16 percent and in South Vietnam for only about 8 percent of gross domestic production. In total value, industrial production in North Vietnam in 1960 was about 1.3 to 1.5 times that in South Vietnam.

Industrial production in both North and South Vietnam still consists largely of handicraft production. Only since 1959 has the modern sector of industry in North Vietnam surpassed handicrafts in over-all production,*** and in South Vietnam the great bulk of industrial production is still confined to native handicraft workshops. Increases in production of modern industry in North Vietnam have reflected, in large measure, the restoration of existing large plants, although during 1958-60 the construction of new capacity in the electric power, machine building, cement, food-processing, and textile industries has resulted in relatively large percentage increases in output.† Since 1956, production of modern industry has increased at an average annual rate of about 34 percent and production of handicraft industry at an average annual rate of about 18 percent. In South Vietnam, increases in output of the food-processing industry -- which accounts for roughly two-thirds of the total value of industry†† -- have been primarily increases in handicraft production resulting from an increase in the supply of raw materials. The restoration of modern prewar facilities and the construction of new capacity in the electric power, chemical, textile, and glassware industries have resulted in an increase in modern industry of about 12 percent a year.

* Appendix A, pp. 47 and 48, respectively, below.

** In the important case of coal, for example, production in North Vietnam in 1960 had just barely regained the peak prewar production of about 2.6 million tons.

*** Whereas handicraft production in 1956 accounted for approximately 59 percent of North Vietnam's total industrial production, in 1958 it accounted for about 52 percent and in 1960 for about 46 percent.

† At low absolute levels of output, production of a single new plant, such as the Hanoi machine tool plant, can result in a doubling or tripling of output in an industry.

†† All percentage breakdowns of the total value of industrial production are in terms of gross value of production.

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2. Heavy Industry

The growth of heavy industrial production in North Vietnam has been more than three times as fast as that in South Vietnam -- at an average annual rate of increase of about 29 percent compared with about 9 percent in South Vietnam. The rapid recovery of heavy industry in the north has reflected (a) the DRV's relatively favorable resource base for heavy industry; (b) its inheritance of all of the heavy industrial assets, except for electric power, in undivided Vietnam; (c) the priority of heavy industry in the allocation of state investment; and (d) the large proportion of aid imports that have consisted of machinery and equipment and industrial materials. During 1956-60 the value of production in heavy industry in North Vietnam increased from about 29 percent of the total value of industrial production to about 32 percent. Heavy manufacturing and mining now contribute about equally to the economy, each accounting for roughly one-sixth of the total value of industrial production. In South Vietnam, on the other hand, mining is negligible, and heavy manufacturing is limited to handicraft production of simple machinery for agriculture and construction, a few small shipbuilding and repair facilities, and several small enterprises producing industrial chemicals and rubber goods.

Increases in production of heavy industry have been due in large measure to the increase in production of electric power in both countries. As a result of increased demand and added capacity,* production of electric power in North Vietnam has almost tripled since 1956, but, even so, it is less than three-fourths of production of power in South Vietnam.** Among the countries of Southeast Asia, North Vietnam exceeds only Burma, Cambodia, and Laos in production of electric power per capita. The most important single indication of the place of modern industry in the economy is, however, production of electric power for industrial purposes. Whereas industrial use of electricity in North Vietnam now accounts for about 80 percent of the total power consumption, in South Vietnam the percentage of power consumed by industry is less than one-half of the total consumption. In 1960 the amount of electricity used by North Vietnamese industry was approximately

* With technical and material assistance from the USSR and other Sino-Soviet Bloc countries, the North Vietnamese regime has added roughly 55,000 kw to capacity since 1955 -- by the end of 1960 the total installed capacity is estimated to have been about 110,000 kw. All of the new plants constructed since 1955 have been thermal installations -- hydroelectric facilities account for not more than 3 percent of North Vietnam's total installed capacity. In the future, however, development of the country's hydroelectric potential is to receive greater emphasis.

** For production statistics on electric power and other industrial products, see Table 4, Appendix A, p. 49, below.

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179 million kilowatt-hours (kwh) compared with about 140 million kwh in South Vietnam.

Although insignificant in terms of the over-all output of the Bloc,* production of minerals and metals in North Vietnam is important in terms of the total production by industry and the total value of exports. In 1960 the gross value of mining constituted approximately 15 percent of the total value of industry, and exports of minerals and metals -- consisting of the total production of chromite and tin and a substantial part of production of coal, iron ore, apatite, and cement -- accounted for roughly one-third of the total value of exports. In South Vietnam, on the other hand, mining is limited almost entirely to the coal and salt industries, and production in both industries is negligible by world standards. South Vietnam, therefore, imports all its domestic requirements for minerals and metals except salt.

As in prewar days, the most important heavy industry in North Vietnam is the mining of anthracite coal, although production surpasses that of only Albania and Mongolia in the Bloc. In 1960 the value of coal output constituted more than 80 percent of the total value of mining. Not only is coal the major source of energy in North Vietnam, but it also is the DRV's most important export commodity. Roughly 50 percent of current production is exported to Communist China, Japan, and Eastern Europe, making North Vietnam second only to China in the export of coal in Asia. In 1960 the value of coal exports accounted for more than two-thirds of the total value of North Vietnamese exports of minerals and metals. Production of coal in South Vietnam is only about 1 percent of that in North Vietnam. The only coal-mining area -- the Nong Son coal mine -- is currently being developed to an annual production of 150,000 tons, about 6 percent of the total output in North Vietnam in 1960.

The predominant mineral in North Vietnam, aside from anthracite coal, is iron ore. By 1960 the annual output is estimated to have reached 135,000 tons, the peak prewar (1939) production. Most of the iron ore produced since 1955 has been exported, principally to the European Satellite countries, but since 1959 a small but increasing amount of iron ore has been consumed domestically in small blast furnaces. Although iron smelting on a very small scale has been practiced historically in North Vietnam (in primitive native furnaces fired with charcoal), the country has never had a modern plant for production of iron and steel. In an effort to correct this major deficiency, the DRV

* Production of only two minerals, phosphate rock and chromite, exceeds 1 percent of the total output of the Bloc.

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began in 1959 the construction of its first iron and steel plant at Thai Nguyen.* If planned construction of new capacity is successfully carried out, domestic production after 1965 should be adequate to supply most of the country's planned requirements for iron and steel. The principal contribution of North Vietnam to the Bloc in the field of alloying materials is production of chromite concentrates, all of which are exported to Communist China and North Korea. Planned production in 1960 of 20,000 tons represented roughly 2 percent of the total Bloc output. In South Vietnam, on the other hand, there is currently no production -- and only a very limited potential for production -- of any of the ferrous ores and metals. The GVN, therefore, is expected to continue to meet its domestic requirements by imports of iron and steel products.

Aside from coal, only three of the various nonferrous minerals and metals -- phosphate rock, salt, and tin -- are produced in North Vietnam in quantities of significance to the domestic economy. Of the three, only phosphate rock is significant in terms of over-all Bloc output -- in 1960, production of apatite and phosphorite constituted roughly 8 percent of the total output of the Bloc. Production of apatite may well be an area in which the DRV will make a contribution of importance to the economies of the Bloc. Current plans indicate that North Vietnam will supply significant quantities of phosphate rock to Communist China and Rumania during 1961-65, and, with expanded output, exports to other countries can be anticipated.

Whereas North Vietnam is one of the largest producers and exporters of cement in Southeast Asia, South Vietnam is completely dependent on imports. Since 1955, domestic production has been more than adequate for North Vietnam's limited construction program, and it is estimated that as much as 50 percent of the total production has been exported to Communist China, Cambodia, Burma, Indonesia, and Hong Kong. In 1960, exports of cement were valued at more than \$4 million. In contrast, South Vietnam has imported, on the average, about 300,000 tons of cement a year since 1955. Plans for the construction of the GVN's first cement plant have just recently been announced.

In both North and South Vietnam the machine building and chemical industries are underdeveloped in relation to mining, agricultural processing, and other light industry, although the relatively more favorable industrial resource base of North Vietnam has supported a comparatively greater expansion of these industries than in South Vietnam. Production of the machine building industry in North Vietnam comes primarily from a single plant -- the Hanoi machine tool plant, which was financed and equipped almost entirely by the USSR. Completed

* The Thai Nguyen iron and steel plant, with an initial annual capacity of 150,000 tons of pig iron and 100,000 tons of crude steel, is being constructed with imported equipment and technical assistance from Communist China.

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in April 1958, it is now reported to be producing a narrow range of light metalcutting machine tools and other machinery, including mechanical irrigation pumps, simple reaping and sowing machines, threshing machines, concrete mixers, small-size electric motors, and conveyors. Production of transportation equipment is insignificant*; all locomotives, heavy rolling stock, and vehicles must be imported. Munitions and military equipment also are almost entirely imported. The chemical industry, consisting of a few small enterprises producing industrial alcohol, acetylene gases, oxygen, pharmaceuticals, and rubber goods, is still a weak and lagging sector of the economy. Nearly all domestic requirements for chemical fertilizers, insecticides, and industrial chemicals must be imported. Construction of new capacity in the chemical industry, however, is laying the groundwork for future rapid increases in production.**

South Vietnam's modern machine building industry consists only of a few small shipbuilding and repair facilities, and its chemical industry consists solely of a few small enterprises producing industrial chemicals, pharmaceuticals, and rubber goods. US aid to South Vietnam during the past 5 years has provided for the expansion or new construction of two rubber goods plants, four pharmaceutical plants, an industrial chemical plant, and three synthetic resin and fiber plants.

3. Light Industry

Production of light industry in both North and South Vietnam increased at roughly the same pace during 1956-60. Large percentage increases in production of textiles and processed foods resulted in an over-all increase in light industry of about 24 percent a year in North Vietnam and about 23 percent a year in South Vietnam.

As in prewar days, the food-processing industry (including both handicraft and factory industry) is the single most important

* Only a few railroad repair shops engage in limited production of light railroad freight cars. The shipbuilding industry consists mainly of the assembly of prefabricated components received from the Bloc -- production in 1960 was limited to a small number of naval patrol boats, tugboats, barges, and wooden fishing boats. A few large automobile garages engage in limited production of automotive spare parts, but North Vietnam has no capacity for production of complete motor vehicles or major motor-vehicle components and has no aircraft industry.

** With the assistance of Communist China and the USSR, construction began during 1958-60 on plants for production of phosphorus and nitrogenous fertilizers, insecticides, sulfuric and hydrochloric acids, calcium carbide, caustic soda, chlorine, automobile tires, synthetic resins and fibers (nylon), and pharmaceuticals. Only the pharmaceutical plant at Hanoi had begun production by the end of 1960; construction of the other plants has been typically behind schedule.

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industry in both North and South Vietnam. In 1960 it contributed almost one-third of the total value of industry in North Vietnam and roughly two-thirds of the total value of industry in South Vietnam. Increases in output in South Vietnam have been primarily those in handicraft production resulting from an increase in the supply of raw materials, whereas increases in output in North Vietnam have resulted primarily from added capacity in modern factories, although also from an increase in the supply of agricultural products. During the past 5 years the DRV has invested relatively large amounts of state funds in the construction of 14 new rice mills, a tea factory, a fish cannery, 4 sugar refineries, and 2 cigarette factories. The rapid growth of the industry has been characterized, however, by imbalances and lack of planning and coordination. Because the regime was anxious to accept offers of factories and equipment from other countries of the Bloc,* standardization of equipment and factory operations has been neglected. In particular, the development of the tea-processing and fish-canning industries has not readily corresponded to the needs of the economy, the supply of raw materials, or the level of native technology.

Whereas domestic production of consumer goods in North Vietnam has now displaced imports as the major supplier of the simple everyday items of current consumption, in South Vietnam imports of manufactured consumer goods still are more important in total consumption than domestically produced items. The US commercial aid program to South Vietnam has supported large annual imports of consumer goods, which have tended to inhibit the development of local industries. In both North and South Vietnam, production of light industrial goods -- largely confined to production of textiles and other articles of daily use -- is still small in per capita terms.

Production of cotton cloth, the most important product of light industry, in North Vietnam in 1960 was roughly 2.5 times that in South Vietnam -- the per capita production of 5.4 meters** (m) was roughly twice that in South Vietnam.*** The DRV's relative advantage

* All of the new agricultural processing plants in North Vietnam are aid projects. The 14 rice mills, the 2 cigarette factories, and 3 of the 4 sugar refineries were constructed by Chinese Communist aid, and the tea factory and the fish cannery were built with Soviet equipment and technical assistance. Poland supplied the technical assistance for the fourth sugar refinery at Ha Dong.

** Meters are given in linear meters throughout this report.

*** Per capita production of cotton cloth in North Vietnam in 1960 was less than one-third of per capita production (16.6 m) in North Korea and only about three-fifths of per capita production (9.4 m) in Communist China.

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in production of cotton cloth stems largely from its inheritance of the cotton textile industry at Nam Dinh, the largest manufacturing industry in prewar Vietnam. With Chinese Communist assistance the Nam Dinh textile mill has been expanded and equipped with modern machinery, and in 1960 the mill was reported to have 106,000 spindles and 2,000 looms compared with 54,000 spindles and 1,300 looms in 1939. The construction of several new textile mills* in South Vietnam in 1958-60 resulted in almost tripling output of cotton cloth since 1956, but production is still far from adequate for domestic requirements. Annual imports of cotton cloth have averaged approximately 60 million m during the past 5 years, and textiles in 1960 remained the number one import of South Vietnam by value. In North Vietnam, also, textile imports are still necessary to meet even a very low level of consumption.

A major postwar development in light industry in South Vietnam has been the rapid growth of the rayon textile industry, using imported yarns. Per capita production of rayon cloth in 1960 was more than twice per capita production of cotton cloth. In contrast, North Vietnam currently produces no rayon yarn or cloth.

C. Agriculture1. General

The economies of both North and South Vietnam are based primarily on agriculture, which furnishes the bulk of the food consumed, supplies most of the raw materials for light industry, and provides the major exports of the two countries. In North Vietnam, agriculture constitutes the principal occupation of 85 percent of the population and contributes almost half of the GNP. In South Vietnam the predominance of agriculture is even greater -- more than 90 percent of the population earns its living from agriculture, which contributes roughly three-fifths of the GNP.

As in Communist China, agriculture in North Vietnam has been the lagging sector of the economy. Since 1956 the total value of agricultural production has increased at an average annual rate of about 5 percent, but annual increases have been quite irregular. Moreover, most of the increase in production has been in livestock production and in secondary occupations** of the peasants (see Table 5***).

* For example, two important US aid projects, the Vietnam Textile Company plant in Saigon (equipped with 20,000 spindles and 400 automatic looms) and the Vietnam American textile mill in Thu-Duc (equipped with 17,200 spindles and 300 automatic looms) began production in 1960.

** Secondary occupations include fishing, forestry, hunting, elementary processing of basic food crops and slaughtering for farm home consumption, and handicraft production for home use.

*** Appendix A, p. 51, below.

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Increases in production of food crops* have lagged behind the increase in population, and in 1960, moreover, per capita production of food declined well below the established per capita requirements of the North Vietnamese population, as follows:

	<u>1956 = 100</u>				
	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
Index of agricultural production	100	103	119	129	121
Index of food crops	100	92	105	121	99
Index of per capita production of food crops	100	89	100	112	90

Traditionally a food-deficit area that relied on the south to balance its food needs, North Vietnam is now self-sufficient in food -- but only at the sacrifice of prewar levels of consumption. Tight state controls over the distribution and consumption of grains, rather than production increases, have brought about a minimal self-sufficiency for the area.

Postwar recovery of agriculture has been rapid in South Vietnam. Since 1956, both agricultural production and the total production of food have increased at an average annual rate of about 7 percent (see Table 6**). Whereas per capita production of food in North Vietnam in 1960 was about 10 percent below that in 1956, in South Vietnam it was more than 20 percent above the level of 1956. Indexes for the agricultural sector of South Vietnam are as follows:

	<u>1956 = 100</u>				
	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
Index of agricultural production	100	102	118	128	132
Index of food crops	100	94	117	129	132
Index of per capita production of food crops	100	92	113	122	122

* The North Vietnamese government in its agricultural statistics includes five crops under the category "food crops": rice, corn, sweet potatoes, manioc, and beans. In this report, data for South Vietnam have been arranged to conform to this usage.

** Appendix A, p. 52, below.

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However, although production of food in South Vietnam is now substantially greater than in prewar days, exports of milled rice (more than 1 million tons a year before World War II) still amount to only about one-third of prewar exports of rice, largely because of increased domestic consumption, a lack of export markets, and Viet Cong* interference with the rice export program. On the other hand, production of rubber -- mostly for export -- now exceeds prewar output by more than 40 percent.

2. Food Crops

In both North and South Vietnam, rice is the principal crop and staple of diet. Roughly 90 percent of the total sown acreage in both countries is planted to rice. Although rice yields have fluctuated during the past several years -- in large measure a reflection of the close dependence of agriculture on weather conditions -- they have averaged approximately the same in both countries.** Primarily the result of an increase in acreage, production of rice in South Vietnam has increased from about 3.4 million tons in 1955 to about 5.4 million tons in 1960. In North Vietnam, production of rice has roughly kept pace with that in South Vietnam except for 1960, when the poor rice harvest in North Vietnam was less than 80 percent of the South Vietnamese rice crop (for production statistics on rice and other agricultural products, see Table 7***). Per capita production of rice in North Vietnam, however, has been consistently below that of South Vietnam. Whereas in 1956-57 it was about 90 percent of per capita production in South Vietnam, in 1958-59 it was about 85 percent and in 1960 only about 68 percent of per capita production in the south as shown in the following tabulation:

	Per Capita Production (Kilograms)				
	1956	1957	1958	1959	1960
North Vietnam					
Production	285	265	299	333	263
Index (1956 = 100)	100	93	105	117	92
South Vietnam					
Production	318	291	359	385	384
Index (1956 = 100)	100	92	113	121	121

* The Communist subversive and guerrilla apparatus in South Vietnam.

** In 1956-60, rice yields in both North and South Vietnam averaged 2.0 tons per hectare compared with about 4.6 tons per hectare in Japan, 2.9 tons per hectare in Taiwan, 2.8 tons per hectare in Communist China, 2.8 tons per hectare in South Korea, and 1.6 tons per hectare in Burma.

*** Appendix A, p. 53, below.

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With expanding production of rice, South Vietnam increased its annual exports of rice (in milled rice equivalent) from about 70,000 tons in 1955 to about 340,000 tons in 1960, but in spite of this fourfold increase, exports of rice in 1960 constituted less than 10 percent of domestic production and only about one-third of prewar exports of rice. A net importer of rice before World War II, North Vietnam is now a net exporter, but only because of enforced low levels of consumption within the country. Exports of rice, as reported by the government, averaged approximately 393,000 tons in 1957-60, or more than 12 percent of domestic production, as shown in the following tabulation:

	Thousand Tons					
	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
North Vietnam	0	0	180	427	415	550
South Vietnam	70	0	183	113	246	340

In late 1960 and early 1961, however, the North Vietnamese apparently were having difficulty in meeting their rice export commitments -- in several instances, planned deliveries of rice were altogether canceled.

Production of food crops has not been uniformly successful in North Vietnam. The increase in production of rice has been offset by a decline of more than 20 percent in production of subsidiary food crops -- corn, sweet potatoes, manioc, and beans -- as follows:

	Thousand Tons				
	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
Rice (paddy)	4,136	3,948	4,577	5,193	4,205
Subsidiary food crops (in terms of paddy)	551	379	338	493	430
Total production of food crops (in terms of paddy)	4,687	4,327	4,915	5,686	4,635

The new policy of the First Five Year Plan in North Vietnam, however, calls for a considerable expansion in acreage devoted to subsidiary food crops in 1961-65, and their output therefore is expected to increase somewhat faster than production of rice during 1961-65. Primarily as a result of an expansion in acreage, production of subsidiary food crops

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in South Vietnam has increased steadily since 1956. In absolute amounts, however, production of corn, sweet potatoes, and manioc has lagged considerably behind that in North Vietnam.

3. Commercial Crops

After partition, all the rubber plantations of undivided Vietnam were left in South Vietnam. In spite of a considerable reduction in the area under cultivation,* the total production of rubber now greatly exceeds the prewar output. Substantial increases in rubber yield** have resulted in an expansion in production from about 66,300 tons in 1955 to about 78,000 tons in 1960. With the exception of a little more than 2,000 tons, which is consumed by local industry, all the rubber produced in South Vietnam is exported -- formerly almost exclusively to France but now mainly to the US. In recent years, rubber has temporarily supplanted rice as the country's chief money crop, constituting in 1959 about 62 percent and in 1960 about 57 percent of the total value of exports. In spite of its being an important rubber-producing country, South Vietnam still imports 3,000 to 4,000 tons of manufactured rubber products annually. In North Vietnam, production of rubber is negligible, and all domestic requirements are met by imports.

Although the North Vietnamese regime has encouraged production of commercial crops such as sugarcane, cotton, jute, oilseeds, tobacco, tea, and coffee, expansion of output has been slow. Occupying less than 5 percent of the total cultivated land area, commercial crops in 1960 are estimated to have contributed about 3 percent of the gross value of agriculture. In the future, North Vietnam plans to capitalize on its unique position as the only Bloc country (other than Communist China) located in the subtropical zone by emphasizing exports of coffee and tea and tropical fruits. A comparatively large proportion of foreign assistance has already been earmarked for the expansion of production of commercial crops and for the construction of facilities to process these crops. Output of these crops is therefore expected to increase at a faster rate than food crops during 1961-65.

A principal aim of the development program of South Vietnam has been the diversification of agricultural production so as to

* In 1960, approximately 83,000 hectares of land, or roughly 75 percent of the total land area devoted to rubber before World War II, were planted to rubber trees.

** Increases in rubber yield have been the result of new production techniques such as leaf analysis, improved configuration in planting new trees, and better fertilizer practices. Together these new techniques are expected to raise production on large plantations from the present 1,200 kg per hectare to 1,500 kg per hectare.

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insure a more abundant and better balanced food supply, an adequate supply of raw materials for local industry, and a greater variety of export commodities. Lack of experimental data, the farmers' resistance to new crops, and the lack of trained technical personnel, however, have hindered implementation of the program -- as of 1960 the area devoted to crops other than rice or rubber was less than 10 percent of the total sown acreage. Probably the most successful of the various crop development programs has been the project for fiber crops, which are needed for the fabrication of rice and sugar bags and fish nets. Formerly imported in large quantities, fibers are now being successfully produced locally,* eliminating about \$2.5 million of import requirements. For lack of a more diversified agriculture, however, South Vietnam still imports many other agricultural commodities, including milk and dairy products, fresh fruits and vegetables, wheat flour, sugar, and tobacco. Only small amounts of coffee, tea, and cereals are currently exported.

D. Transportation**

In no sector of the economy did North and South Vietnam suffer more war damage than in transportation and communications. Of the more than 1,000 kilometers (km) of rail lines existing in North Vietnam before World War II, only the 100-km Hanoi-Haiphong line was operable in 1955 -- bridges, tunnels, and large sections of track and roadbed had been destroyed on the remaining three lines. Of the 1,400 km of railroad lines in South Vietnam, about 900 km were operable, but this length was divided into two portions separated by a gap of about 500 km. The condition of most highways, of the telecommunications system, and of the canal network in both countries was equally poor.

In spite of the emphasis given by both governments to the rehabilitation of transportation, the rail, motor, and inland water transport systems of North and South Vietnam have not yet been restored to their prewar capacity. In North Vietnam, traffic has been restored on the two rail lines from Hanoi to the South China border but on the line south of Hanoi only as far as Thanh Hoa. Work on the remainder of the line to the 17th parallel has been slowed by the

* Production of both kenaf and ramie (which produce fibers similar to those of jute) was first introduced into South Vietnam in 1959, and by the end of 1960 about two-thirds of the local milling requirements for kenaf and all local requirements for ramie were being met by domestic production. Since 1955, production of jute has increased about fivefold, but, even so, South Vietnam still imports more than three-fourths of its total annual requirements.

** The transportation network in North and South Vietnam is shown on the map, Figure 5, inside back cover.

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difficulty of constructing some large bridges. A major extension of the rail system was, however, completed in 1960 with the construction of a new 120-km line from Dong Anh (just north of Hanoi) to Thai Nguyen, the site of the new iron and steel plant. Although the track was constructed to meter gauge (3 feet 3 inches), the roadbed was reported to have been prepared for a standard Chinese gauge rail line (4 feet 8-1/2 inches). Apparently, no other steps have been taken to achieve the announced plan of converting the rail system of North Vietnam to standard gauge. With the use of army units and conscripted road gangs, the DRV has rebuilt more than 2,500 km of roadway destroyed during the French-Indochinese War, and, in addition, it has constructed about 700 km of new roads. But although the condition of certain roads has been improved, the highway network in general has not been restored to prewar standards. Since 1955, water transport has lagged behind other modes of transportation because of a lack of river and coastal craft, inadequate docking and repair facilities, and a shortage of construction materials.

A major achievement of the South Vietnamese government to date has been the restoration of through passenger and freight service on the 1,100-km Saigon - Dong Ha railroad, the first such service in 12 years. Several spur lines from this main north-south rail line, including a 32-km line to the Nong Son coal mine, are now under construction. The entire railroad system in South Vietnam, as in North Vietnam, has been reconstructed to its original (single-track) meter gauge. The network of national, provincial, and local roads (totaling about 11,700 km before World War II) has been only partially rehabilitated. Patchwork repairs by the South Vietnamese government in 1955-57 kept the major roads open to civilian traffic, although the over-all system was inadequate for military requirements. Since 1958 a comprehensive highway development program has been undertaken (with US economic aid) that will vastly improve South Vietnam's economic and military support facilities within the next few years.*

IV. Foreign Economic Relations

Eighty years of French administration changed Vietnam from a static, agricultural, and self-sufficient economy into a colonial economy exporting agricultural and mineral products in exchange for imports of manufactured goods. With production seriously disrupted by 10 years

* The construction of the new \$35 million, 32-km Saigon - Bien Hoa highway represents the largest completed US aid project since the resettlement of the refugees from the north. In May 1960 the reconstruction of National Route 21, an important east-west highway (152 km in length) was completed at a cost of approximately \$14 million in US aid funds. Two major highways are now being reconstructed -- National Route 19 from Pleiku to Qui Nhon (187 km in length) and National Route 14 from Ban Me Thout to Pleiku (196 km in length).

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of wartime destruction, North and South Vietnam have emerged from the Geneva agreements even more dependent, rather than less, on foreign economic relations. Foreign trade has played, and will continue to play, a vital role in the economic development of both countries.

A. Foreign Trade1. Level of Trade

Whereas the level of foreign trade in North Vietnam has more than doubled since 1955, it has remained approximately the same in South Vietnam (see Table 8*). In spite of the substantial increase in trade in North Vietnam, however, the value of North Vietnamese imports and exports in 1960 was less than 50 percent of South Vietnam's total trade. Since 1955, North Vietnamese imports and exports have been equal in amount to about one-seventh of North Vietnam's GNP. In comparison, total imports and exports have been equal in amount to about one-fourth of South Vietnam's GNP (see the accompanying chart, Figure 6).

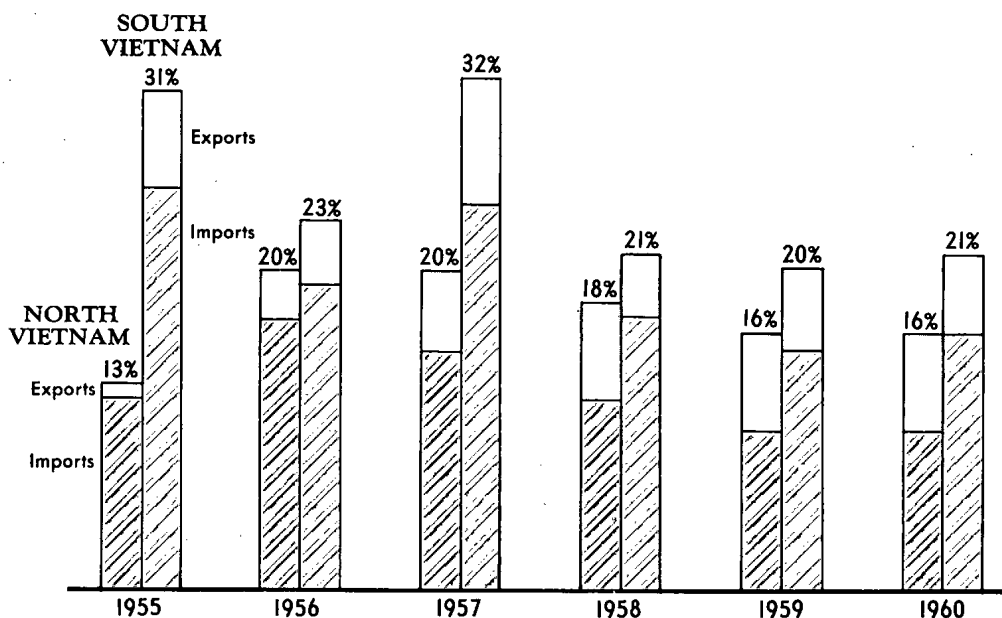


Figure 6. North and South Vietnam: Foreign Trade as a Percent of GNP, 1955-60

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* Appendix A, p. 54, below.

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Imports, entering North and South Vietnam primarily as grants-in-aid, have been the dominant element in trade in both countries. Annual reductions in the value of imports in North Vietnam during 1958-60, however, have been reflected in a leveling off of the total trade during the period of the Three Year Plan. Although North Vietnamese exports expanded eightfold during 1955-60, they are still substantially less than total imports, accounting in 1960 for less than two-thirds of the total value of imports. Whereas pre-World War II rice exports (averaging more than 1 million tons annually) together with sizable rubber exports assured a favorable balance of trade for South Vietnam, since 1955 the exports of South Vietnam have covered only about one-fourth of the total value of imports. As in the case of North Vietnam, large-scale external aid has made up the deficits.

2. Commodity Composition of Trade

The pattern of foreign trade in North and South Vietnam has been essentially that of prewar colonial Vietnam, with emphasis on exports of agricultural and (in the case of North Vietnam) mineral products in exchange for imports of manufactured goods. The composition of Vietnamese imports of manufactured goods, however, has changed greatly in recent years, with capital equipment and industrial materials growing in relation to imports of consumer goods.

Imports have been particularly important in North Vietnam's economic development program. Priority has been given to imports of complete plant installations, machinery and equipment, and industrial materials. In 1959, equipment and industrial materials together accounted for approximately 85 percent and manufactured consumer goods (largely cotton fabrics) for only about 15 percent of total imports of \$102.5 million (see the chart, Figure 7*). Virtually all of the machinery and equipment for state investment has been imported. At its present stage of industrialization, North Vietnam must import all or most of its petroleum, iron and steel products, machinery, metal manufactures, locomotives and rolling stock, vehicles, spare parts, industrial chemicals, chemical fertilizers, medicines, and raw cotton. Goods available for export have grown in variety and improved in quality -- in particular, exports of handicraft and light industrial products have increased from about 5 percent of total exports in 1955 to about 15 percent in 1959. Nevertheless, exports of coal, cement, apatite, and rice still account for the bulk of foreign exchange earnings. In the future, North Vietnam plans to capitalize on its unique position as the only Bloc country (other than Communist China) located in the subtropical zone by emphasizing exports of coffee, tea, rubber, and fruits. In its exports of mineral products and tropical agricultural commodities the DRV may make a contribution of significance to the economies of the Sino-Soviet Bloc.

* Following p. 32.

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Domestic production in South Vietnam supplies the basic foodstuffs and simple manufactured goods of the economy, and external trade procures the capital equipment and machinery, industrial raw materials, and most manufactures. With the beginning of industrialization, imports of machinery and equipment (boilers, steam engines, trucks and other vehicles, electrical equipment, and machine tools) and imports of industrial materials (petroleum and petroleum products, metals and ores, construction materials, chemicals, and cotton yarn) have increased in relation to imports of consumer goods, accounting in 1959 for approximately two-thirds of total imports. However, a wide variety of consumer goods -- cotton fabrics, plastic goods, glassware, wood and wood products, paper products, and foodstuffs -- are still imported into South Vietnam with dollar funds granted to the South Vietnamese government. In 1959, agricultural products accounted for approximately 16 percent, textiles for about 12 percent, and other consumer goods for about 7 percent of total imports. As in prewar days, exports of rubber and rice still account for more than 90 percent of the value of South Vietnamese exports, and duck feathers, cassia, cereals, tea, and other minor items make up but a small fraction of total exports. The degree of concentration on the export of rubber and rice has long been considered excessive, as it has left South Vietnam vulnerable to changes in supply and demand for the two products.* Since 1955 the government has promoted the production of kenaf, ramie, jute, coffee, tea, coconuts, cocoa, and sugar as important potential export products.

3. Direction of Trade

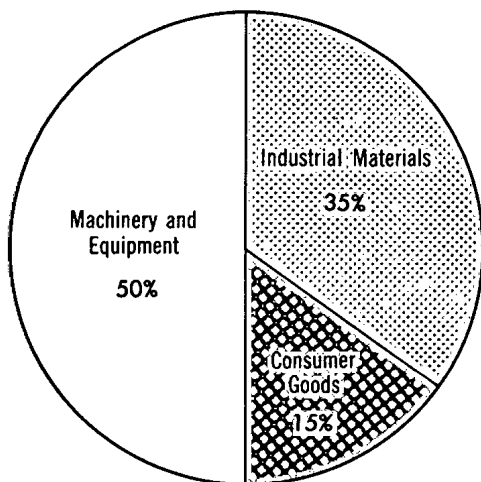
Before World War II, trade in Vietnam between the more industrialized north and the agricultural south was of great mutual economic advantage. Since partition, however, economic intercourse between the two countries has been completely cut off, and the direction of foreign trade has reflected the political orientation of the two countries. Since 1955, more than 90 percent of North Vietnam's trade has been with other members of the Bloc, Communist China and the USSR together accounting for almost 70 percent of total trade. The relative importance of China and the USSR has declined, however, as trade with the European Satellites increased from about 3 percent

* In 1958, for example, the value of the total exports dropped by 31 percent as exports of rice fell from 183,872 tons in 1957 to 112,702 tons in 1958 and as exports of rubber fell from 73,255 tons to 68,116 tons. In addition to the decline in the volume of exports of rubber, there was a drop in world prices of rubber.



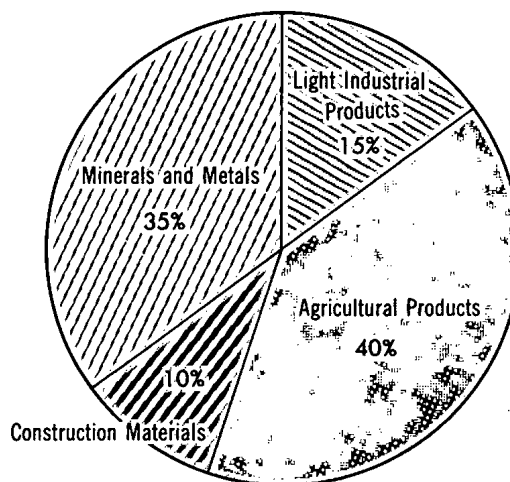
NORTH AND SOUTH VIETNAM Commodity Composition of Foreign Trade 1959

NORTH VIETNAM



IMPORTS

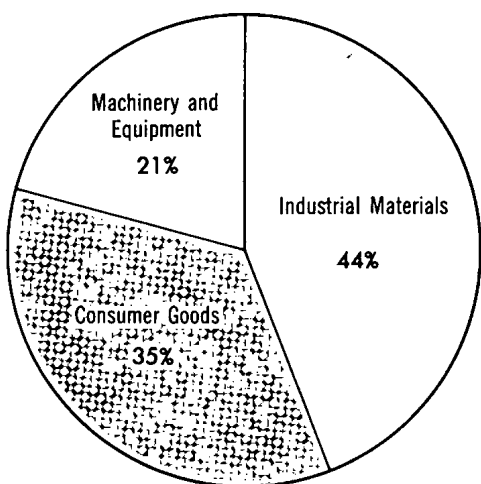
102.5 MILLION DOLLARS



EXPORTS

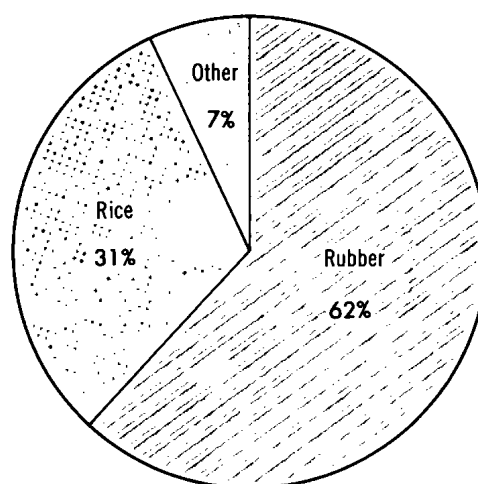
54.4 MILLION DOLLARS

SOUTH VIETNAM



IMPORTS

224.6 MILLION DOLLARS



EXPORTS

75.1 MILLION DOLLARS



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of total trade in 1955 to about 25 percent in 1960 (see the accompanying chart, Figure 8). Trade with non-Communist countries has grown

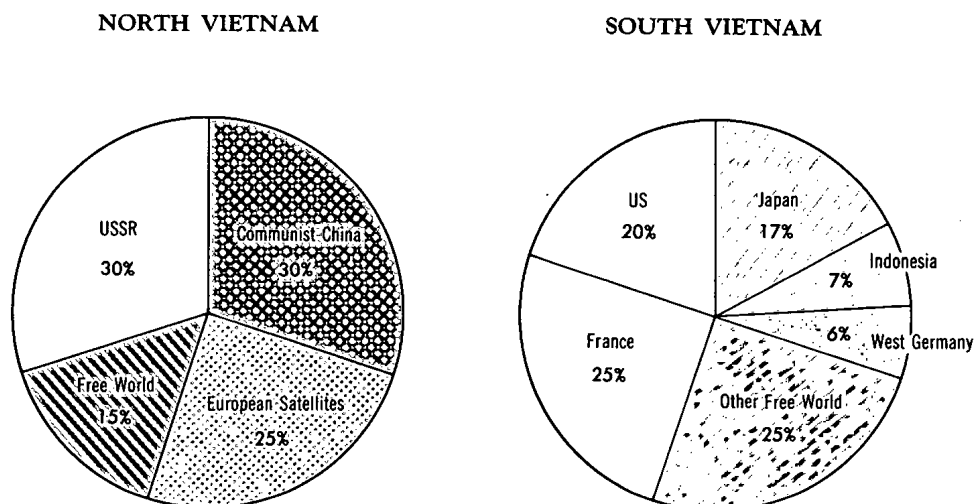


Figure 8. North and South Vietnam: Direction of Trade, 1960

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from an insignificant percentage in 1955 to about 15 percent of the total trade in 1960. Japan, which ranks as the fifth most important trading partner of North Vietnam, accounts for roughly two-thirds of the total trade with the Free World.

Historically the most important trading partner of Vietnam, France lost its position in 1959 as the leading supplier to South Vietnam. The gap left by France has been filled by mainly the US and Japan, both of which have increased their shares in the South Vietnamese market. Since 1959 the US has been the number one supplier. In spite of the drop in French shipments to South Vietnam, France has remained the best customer for South Vietnamese goods, purchasing in 1960 more than one-third of South Vietnam's total exports. A significant development since World War II has been the emergence of West Germany as the fourth best market for South Vietnam's exports, behind France, Hong Kong, and Indonesia. Since 1955, South Vietnam has had no trade relations with any member of the Communist Bloc.

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B. Foreign Economic Assistance*

In the 6-year period 1955-60, North Vietnamese imports are estimated to have exceeded exports by \$392 million, and in the same period South Vietnamese imports have exceeded exports by approximately \$1,058 million. Foreign economic assistance extended to North and South Vietnam has made up the difference. On a per capita basis, economic aid in these 6 years has amounted to about \$25 in North Vietnam and about \$80 in South Vietnam.

In North Vietnam the regime was able to raise exports as a percent of imports from about 10 percent in 1955 to more than 60 percent in 1960, but in South Vietnam exports still account for only about one-third of the total value of imports. External economic aid as a proportion of GNP in North Vietnam, therefore, has been declining -- from about 15 percent in 1956 to about 4 percent in 1960 -- whereas the proportion of grants and credits to GNP in South Vietnam did not drop below 10 percent during 1955-60. North Vietnam consequently has become less dependent than South Vietnam on large annual extensions of grants and credits.

The total economic assistance extended to North Vietnam since 1955 has amounted to \$944 million (see Table 9**). Almost half of this aid -- in particular, the two Soviet credits announced in late 1960 (totaling \$200 million) and the Chinese Communist credit extended in early 1961 (amounting to \$157 million) -- has been earmarked for development projects scheduled under the First Five Year Plan. Of the \$523 million available for use during 1955-60, roughly three-fourths had been used by the end of 1960 for the purchase of Bloc goods and services. It is estimated that about 70 percent of aid by the Bloc has been used for the reconstruction of basic productive facilities (including transportation facilities) and for net additions to industrial capacity. Of secondary importance have been aid shipments of food and other consumer goods.

Communist China and the USSR have together provided almost 90 percent of the total aid by the Bloc to North Vietnam. Other countries of the Bloc have given financial support, some in substantial

* In this report the discussion of the aid programs in North and South Vietnam is confined to a discussion of the economic aid programs (defined as the net import of goods and services) in the two countries. It is certain that military aid is being received by North Vietnam from other members of the Bloc, but precise information on types and amounts is lacking. US military assistance extended to South Vietnam over the past 6 years has amounted to almost \$500 million, or about 2 percent of the total US military aid extended to all countries.

* Appendix A, p. 55, below.

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amounts and others in token amounts. The entire Bloc seems to be giving aid and advice in the areas most appropriate to the capabilities of the contributing country. Whereas the Chinese have furnished larger quantities of basic materials and manpower, the USSR has sent relatively more machinery and equipment. The Chinese have assumed the leading role in the rehabilitation and expansion of North Vietnam's transportation and communications facilities as well as in the reconstruction and development of its irrigation system. They also have been largely responsible for the growth of light industry in North Vietnam, having undertaken the construction of 14 rice mills, 3 sugar refineries, 2 cigarette factories, a match factory, and a knitted goods factory. Soviet aid projects in the field of light industry have been limited to the Haiphong fish cannery and the Phu Tho tea-processing plant. In the electric power and mining industries, on the other hand, Soviet influence has been predominant. Chinese and Soviet technicians have been equally active in the field of heavy manufacturing. Whereas the Chinese have financed and directed the construction of the iron and steel plant at Thai Nguyen, the Hanoi rubber goods factory, and several of the industrial chemical plants, the USSR has undertaken the construction of the Hanoi machine tool plant and the Lao Kay superphosphate plant.

Economic assistance extended to South Vietnam since 1955 under the various US economic aid programs* has amounted to approximately \$1,440 million, or about 8 percent of the total US economic aid to all countries. Non-US sources** have contributed another \$75 million. Of this total economic assistance to South Vietnam, more than 90 percent has been extended as grants-in-aid, whereas only about 40 percent of the total aid by the Bloc to North Vietnam has consisted of grants. Initially provided in the form of grants-in-aid, economic aid to North Vietnam now consists almost entirely of long-term, low-interest credits, but, in contrast, there has been no shift from grants to loans in the US aid program to South Vietnam. As of the end of 1960, about

* US economic aid to South Vietnam has included grants-in-aid administered by the International Cooperation Administration (\$1.3 billion), long-term credits extended by the Development Loan Fund (\$19.5 million), commodity shipments of tobacco under PL 480 (\$118 million), and voluntary contributions from US charity organizations (\$2.5 million). No loan assistance has been given as yet by the Export-Import Bank or the International Bank for Reconstruction and Development.

** The Japanese have provided \$56 million in accordance with the terms of a reparations agreement concluded in late 1959, the French have provided \$14 million for education and land reform, Colombo Plan aid is estimated to be about \$4 million, and international organizations such as UNESCO and FAO have provided about \$500,000 in technical assistance.

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three-fourths of the total economic aid extended to South Vietnam during 1955-60 had been used in financing the country's large net imports.

Second only to South Korea, South Vietnam has been the largest recipient of US economic aid. Since 1955, annual extensions of grants-in-aid have averaged more than \$200 million. Only about 15 percent of this aid has consisted of direct shipments of goods and services similar to those provided by the Sino-Soviet Bloc to North Vietnam. Goods received have included the supply of machinery and equipment and basic materials for the restoration of South Vietnam's war-damaged transportation system, the expansion of industrial capacity, and the extension of health and educational facilities, and services have included the provision of technical assistance in the fields of health and education, public administration, agriculture, industry, and transportation. By far the greatest part of US economic aid to South Vietnam has been indirect aid, which has involved the extension of dollar credits to the South Vietnamese government to pay for imports. The local currency (piasters*) accruing to the government from the sale of the ICA-financed commercial imports has been used to cover internal costs of both military and economic aid projects. During the past 6 years these counterpart funds have provided at least two-fifths of South Vietnam's entire budget revenue. Only about 20 percent of these budget receipts from US aid, however, have been allocated to economic projects -- the great bulk of US-financed budget revenue has been used to help meet the annual defense expenditures of about 6 billion piasters.

V. Allocation of Resources

Expanding domestic production in North and South Vietnam has been augmented by large annual import surpluses, estimated to amount in 1956-60 to 8 percent of GNP in North Vietnam and 13 percent of GNP in South Vietnam. The allocation of total available resources among consumption, investment, and government has reflected the different economic philosophies of the two governments. The emphasis in North Vietnam has been on present sacrifice for promised future benefits, and the standard of living has been kept low in order to squeeze out capital for investment. In South Vietnam, on the other hand, the population has been enjoying a comparatively high standard of living, and the government has imposed few if any austerities.

* Piasters are credited to the counterpart fund at the official rate of exchange of 35 piasters to US \$1. The greatest single segment of the total US aid to South Vietnam is therefore converted into goods and services at a rate that values US aid dollars in terms of piasters at the lowest of many existing valuations.

S-E-C-R-E-T

A. Gross Domestic Investment*1. Level of Investment

By Communist standards, the DRV was able during 1955-57 to allocate to investment only a small percent of the total available resources -- most of its small GNP was by necessity used to bring a starving population up to a tolerable level of subsistence. During 1958-60, however, the regime was able to raise gross domestic investment as a percent of GNP to the level generally associated with rapid economic development (15 percent or more). After 1955, when gross domestic investment was only about 9 percent of GNP, investment increased to about 17 percent of GNP in 1959 and about 22 percent in 1960 (see Table 10**). In absolute amount it is estimated to have increased from 210 million dong in 1955 to 856 million dong in 1960, as follows:

	<u>Million Current Dong</u>					
	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
Budgeted state investment***	140.5	260.1	251.0	314.0	494.2	716.0
Miscellaneous budgeted investment***	34.9	99.3	151.5	147.2	142.2	91.1
Nonstate investment***	34.4	40.5	41.7	48.4	52.5	49.1
Total	<u>209.8</u>	<u>399.9</u>	<u>444.2</u>	<u>509.6</u>	<u>688.9</u>	<u>856.2</u>

* In North Vietnam, state investment in the construction of military bases and plants producing military goods is included in gross domestic investment, whereas investment in defense in South Vietnam is included under government expenditures rather than under gross domestic investment. The term investment as used in the two countries is therefore not exactly comparable.

** Appendix A, p. 56, below.

*** The three main components of gross domestic investment in North Vietnam may be defined as follows: state investment is investment under the state plan for new plant and equipment and other fixed assets; miscellaneous budgeted investment includes increases in the value of industrial and commercial inventories and government expenditures for geological surveys; and nonstate investment is peasant investment in fixed assets, such as farm buildings and houses, small-scale irrigation and water conservation works, draft animals, tools, and machinery. For the methodology used in estimating gross domestic investment in North Vietnam in 1955-60, see Appendix B.

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The DRV has been able to support an investment program of these increasing proportions only because of the continuing large net inflow of goods and services from the Bloc. During 1955-57, foreign economic assistance extended to North Vietnam by other members of the Bloc was used to support not only the small initial program of investment but also actual consumption requirements. Since 1958 the pattern of imports supported by the high level of economic assistance has shifted dramatically away from consumer goods to investment goods such as capital machinery and equipment and industrial materials.

Gross domestic investment in South Vietnam remained a fairly stable 8 to 10 percent of GNP during 1955-60. Because of its necessary preoccupation with the problems of internal security and military preparedness, the government has been able to allocate to investment only a small share of its total budget revenue. Furthermore, the unsettled security situation, the uncertainty regarding GVN economic policy, and other factors creating an unattractive economic climate have tended to discourage private domestic investment. Whereas investment in fixed assets in North Vietnam in 1960 was equivalent to approximately 20 percent of GNP, in South Vietnam investment in fixed assets was equal to less than 10 percent of GNP. In absolute amount the total investment in fixed assets in South Vietnam of about \$134 million was less than three-fourths of the total investment in fixed assets in North Vietnam.* The GVN is still almost completely dependent on imports for investment goods, but, in contrast to North Vietnam, there has been no restriction on imports of consumer goods in favor of imports of investment goods.

The investment program in North Vietnam has been financed primarily through the consolidated state budget, which includes foreign aid. Nonstate investment has accounted for less than 10 percent of gross domestic investment. In South Vietnam, government investment also has claimed an increasing share of total investment, not primarily because of a consistent and deliberate drive to increase public investment but rather because of the considerable influx of foreign aid. In 1958, government investment financed by US aid was about four times as large as the capital formation financed by the South Vietnamese government from domestic resources.

2. Allocation of Investment**

Of the total state investment in North Vietnam in 1955-60, approximately 38 percent (or 830 million dong) was allocated to industry,

* Gross domestic investment in North Vietnam was converted into US dollars at the rate of exchange of 4 dong to US \$1.

** This discussion of the allocation of investment in North and South Vietnam is limited to investment (both public and private) in fixed assets and does not include changes in the value of inventories.

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with heavy industry accounting for more than 70 percent of the total industrial investment. Because a large part of industrial production was channeled into agriculture in the form of agricultural machinery, fertilizer, and construction materials, a substantial proportion of this investment in heavy industry represented indirect investment in agriculture. State expenditures for agriculture (approximately 12 percent of the total state investment) indicate that much reliance was placed on local peasant efforts requiring considerable labor but relatively little capital equipment. Nonstate (peasant) investment accounted for over half of the total investment in agriculture. Relative to investment in irrigation and water conservation projects, only small amounts of state funds were directed to the improvement of agricultural techniques, land reclamation, mechanization, and the organization of state farms. Investment in transportation and communications (about 25 percent of the total state investment in 1955-60) was second only to investment in industry in the allocation of state funds. The major part (roughly 40 percent) of investment in transportation went to railroad construction, but a considerable share was used in the improvement and expansion of roads, especially those near the South Vietnamese and Laotian borders. The allocation of 7 percent of state investment to trade resulted in the construction or restoration of 113,000 square meters of floorspace in stores and 991,000 square meters of floorspace in warehouses. North Vietnam's policy of holding down "nonproductive" investment is reflected in the fact that only about 9 percent of state investment in 1955-60 was allocated to health, education, scientific research, and culture; only about 5 percent to housing and public works; and only about 4 percent to government administration.

In South Vietnam the government has adjusted its investment outlays to those of the private sector. The expansion of public investment has been directed mainly toward the expansion of transportation and communications facilities, an increase in production of electric power, the growth of financial services, and the development of economic and social institutions that are essential to general economic development. The government has of necessity assumed the leading role in investment in these fields in which private enterprise has shown the least initiative. In the field of industry, on the other hand, governmental policy has been to restrict public investment in favor of private enterprise, and the government's role has been essentially that of a sponsoring agency. Agriculture has received the highest priority after transportation and communications in the investment plans of the state, and in an effort to expand domestic food supplies and primary exports the government has put more than 15 percent of its investment effort into irrigation and water control projects, land reclamation, and the improvement of agricultural techniques. Of the total investment -- both governmental and private -- in fixed assets in 1960, roughly 30 percent went to transportation and communications,

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28 percent to agriculture, 20 percent to industry, 12 percent to housing, 8 percent to government and other services, and 2 percent to trade (see the accompanying chart, Figure 9).

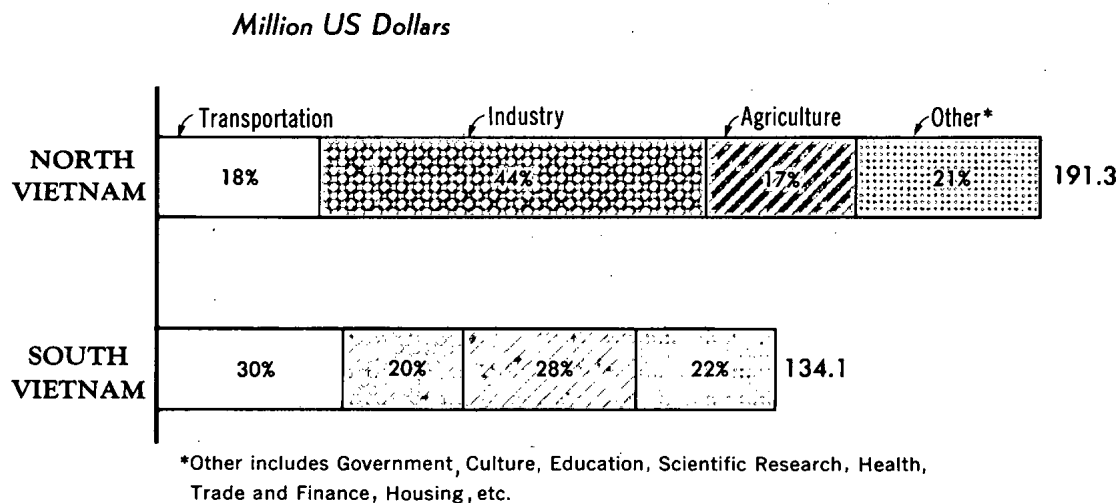


Figure 9. North and South Vietnam: Allocation of Investment in Fixed Assets, 1960

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B. Consumption

Increases in consumption in North Vietnam, although fairly large in percentage terms, reflected primarily economic recovery from the depressed levels of consumption during the war years. As the Communist program for socialization gave the regime increasing control over the allocation of resources and as the level of consumption approached the prewar standard of living, increases in consumption in 1958-60 fell off appreciably compared with those in 1955-57. Advances in the standard of living were no greater than those considered necessary by the regime to allay public discontent. Moreover, with a decline of more than 10 percent in aggregate consumption in 1960 compared with 1959 -- a reflection of decreased production in agriculture -- per capita consumption dropped below 1956 levels. Indexes of aggregate and per capita consumption in North Vietnam are as follows:

	1955 = 100					
	1955	1956	1957	1958	1959	1960
Index of aggregate consumption	100	123	131	135	148	132
Index of per capita consumption	100	125	129	130	140	121

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The Diem government, for political reasons, has been reluctant to take measures to reduce South Vietnam's relatively high standard of living -- high not only in relation to North Vietnam but also in relation to other countries in Southeast Asia. Expanding production in agriculture and light industry has raised per capita consumption to a point above prewar levels. Moreover, whereas in North Vietnam the regime has increasingly restricted imports of foodstuffs and other consumer goods, in South Vietnam the US commercial aid program has continued to support a standard of living higher than the GVN could maintain on its own resources. Imports of agricultural products and consumer goods in North Vietnam have declined from about 55 percent of the total imports in 1955 to about 10 percent in 1960, but they still account for more than one-third of the total value of imports in South Vietnam. In 1960 the value of foodstuffs and other consumer goods imported into South Vietnam was almost 10 times the value of similar imports into North Vietnam.

1. Food Supply

The present serious food situation in North Vietnam began in May-June 1960 with the poor fifth-month rice harvest and became worse in the fall as a result of another poor rice crop. By March 1961, critical shortages of food were reported in various localities, especially the northern and western areas near the Chinese and Laotian borders, where many people reportedly were starving. In Hanoi and other towns the monthly rice allotment per person, which had been progressively cut during the fall of 1960, was further reduced to 9 kg in May 1961, and the rationing of meat was instituted for the first time.* These new diet restrictions, coupled with protracted work-hours, are reported to have caused widespread suffering from malnutrition and fatigue, and in some areas food shortages are reported to have spurred discontent and caused local outbreaks of resistance to officials. The regime, however, has been able to quell these local food riots promptly.

By the end of May 1961 the worst point in the food crisis apparently had passed, as new crop supplies of rice, corn, sweet potatoes, and beans began to appear in the markets. But although the new rice harvest will temporarily avert more serious trouble, it may not be adequate to insure complete recovery. The extent and duration of the probable respite are largely dependent on the size of the more

* In September 1960 the monthly rice ration was reduced to 15 kg per person; by October it was 12 kg; and by early November, some classes, including private traders and others outside the socialized sector, were limited to 10 kg per month. In May 1961, individual rice rations were reduced to a new low of 9 kg per month, and the allotment of meat and animal fats was limited to 500 grams per person per month.

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important tenth-month rice crop (harvested in October and November) and the level of output of minor crops. In the long run, however, the prospects for alleviating the food supply problem in North Vietnam are only fair. On the assumption of normal weather conditions, production of food is expected to increase at an average annual rate of about 3 percent and to reach approximately 6 million tons in 1965, or two-thirds of the First Five Year Plan goal of 9 million tons. The acceleration of the rural collectivization program, however, may generate sufficient additional peasant resistance to place even this achievement in doubt. Even if this output is achieved, per capita production of food in 1965 will be only about 2 percent higher than in 1958-60. Estimates of future growth provide little hope, therefore, of any significant improvement in the North Vietnamese diet.

Expanding production of food in South Vietnam has been augmented by large annual imports of food, which in 1960 were valued at approximately \$36 million, or 15 percent of the total value of imports. Per capita consumption of food in South Vietnam since 1955, therefore, has been considerably above prewar standards. Although the amount of meat and fish in the North and South Vietnamese diets is now roughly the same, per capita consumption of rice and sugar in South Vietnam is significantly higher than in North Vietnam, as shown below:

		Kilograms					
		<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
Rice (milled)	North Vietnam	115*	151	150	150	161	150
	South Vietnam	186	200	186	222	234	235
Sugar	North Vietnam	0.6	1.0	1.1	1.1	1.2	N.A.
	South Vietnam	5.7	5.9	6.1	5.9	8.2	10.3

There also is more diversification in the South Vietnamese diet -- in particular, the supply of tropical fruits, coffee and tea, and cocoa is much greater.

North Vietnam is acutely aware of its unfavorable position compared with South Vietnam in the per capita supply of food. Some observers have attributed the DRV's intensified drive against South Vietnam, including its efforts in Laos, primarily to its desire to obtain the food resources in the south. This interpretation probably

* This figure probably does not include North Vietnamese imports of rice in 1955.

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overstates the importance of that factor, but the North Vietnamese leadership certainly looks on the food supplies of the south with a covetous eye. Current surpluses in production of rice and other foodstuffs, as well as the considerable potential in South Vietnam for increased agricultural production, would provide a happy solution to the chronic food supply problem in North Vietnam.

2. Nonfood Consumption

The striking difference in the supply of consumer goods and services in North and South Vietnam is illustrated by the following comparison of per capita consumption of cloth (all types), the major nonfood item of consumption in both countries:

	<u>Meters</u>					
	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
North Vietnam	3.5	5.0	5.2	4.5	5.0	N.A.
South Vietnam	N.A.	10.9	12.2	12.5	10.5	14.1

The South Vietnamese consumer has the advantage not only in the supply but also in the quality and style of consumer goods, and he also has better housing. Although precise information on per capita residential floorspace is not available, new urban housing is being constructed more rapidly in South Vietnam than in North Vietnam. In 1958-59, it is estimated, 826,000 square meters of new urban housing (excluding houses with thatched roofs) were added in South Vietnam compared with about 600,000 square meters in North Vietnam, which has almost 2 million more people.

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APPENDIX A

STATISTICAL TABLES

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Table 1

North and South Vietnam: Land Utilization
1960

	Percent	
	North Vietnam	South Vietnam
Forests	49.8	28.8
Cultivated land	12.3	12.8
Rice paddies	9.5	11.0
Rubber plantations	Negl.	0.5
Miscellaneous crops	2.8	1.3
Other	37.9	58.4
Total	<u>100.0</u>	<u>100.0</u>
Total land area (square kilometers)	158,750	170,850

Table 2

North Vietnam: Gross Value of Industrial Production
1956-60

	Million 1956 Dong				
	1956	1957	1958	1959	1960
Heavy industry	180.1	203.9	258.4	425.4	504.9
Light industry	446.8	661.0	754.7	885.8	1,062.0
Total	<u>626.9</u>	<u>864.9</u>	<u>1,013.1</u>	<u>1,311.2</u>	<u>1,566.9</u>
Index (1956 = 100)	100	138	162	209	250

Table 3

South Vietnam: Estimated Index of the Gross Value of Industrial Production a/
1956-60

1956 = 100

	<u>1956 Weights <u>b/</u></u>		<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
	<u>Commodity</u>	<u>Sector</u>					
Heavy industry							
Electric power	99.9		100	106	113	126	138
Coal	0.1		100	589	956	948	1,300
Heavy industry	<u>100.0</u>	20.0	100	106	114	127	139
Light industry							
Cotton cloth	9.4		100	152	163	119	259
Rayon cloth	6.7		100	293	268	585	1,000
Silk cloth	0.9		100	267	583	67	50
Other cloth	4.1		100	158	333	267	400
Sugar (refined)	5.3		100	105	150	289	393
Meat	32.2		100	104	112	114	131
Rice (polished) <u>c/</u>	40.8		100	94	128	152	145
Matches	0.6		100	79	73	54	69
Light industry	<u>100.0</u>	80.0	100	121	149	176	231
Index for total industry		<u>100.0</u>	100	118	142	166	213

a. For the methodology, see Appendix B.

b. Weights are gross-value weights, as explained in the methodology.

c. Based on deliveries into Saigon.

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Table 4

North and South Vietnam: Production of Major Industrial Products
1956-60

	Unit	Country	1956	1957	1958	1959	1960
Electric power	Million kilowatt-hours	North Vietnam	94	121	160	210	254
		South Vietnam <u>a</u> /*	265	280	299	334	366
Coal	Thousand metric tons	North Vietnam	1,214	1,085	1,549	2,202	2,575
		South Vietnam	2	12	20	20	27
Apatite	Thousand metric tons	North Vietnam	24	66	136	261	490
		South Vietnam	0	0	0	0	0
Phosphorite	Thousand metric tons	North Vietnam	34	22	32	51	47
		South Vietnam	0	0	0	0	0
Chromite	Thousand metric tons	North Vietnam	1	4	6	7	N.A.
		South Vietnam	0	0	0	0	0
Iron ore	Thousand metric tons	North Vietnam	18	20	120	125	135
		South Vietnam	0	0	0	0	0
Salt	Thousand metric tons	North Vietnam	88	110	125	130	190
		South Vietnam	60	80	62	61	N.A.
Cement	Thousand metric tons	North Vietnam	197	165	302	381	406
		South Vietnam	0	0	0	0	0
Timber	Thousand cubic meters	North Vietnam	457	439	458	630	684
		South Vietnam	555	479	407	353	320
Rice (milled)	Thousand metric tons	North Vietnam	98	279	295	418	209
		South Vietnam	N.A.	N.A.	N.A.	N.A.	N.A.

* Footnotes for Table 4 follow on p. 50.

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Table 4

North and South Vietnam: Production of Major Industrial Products
1956-60
(Continued)

	Unit	Country	1956	1957	1958	1959	1960
Sugar (refined)	Thousand metric tons	North Vietnam	5	4	6	11	14
		South Vietnam	24	25	36	69	93
Beer	Million liters	North Vietnam	0	0	0.3	2	4
		South Vietnam	51	54	53	50	51
Cigarettes	Thousand metric tons b/	North Vietnam	0.4	0.5	1	2	2
		South Vietnam	6	6	6	6	7
Cotton yarn	Thousand metric tons	North Vietnam	7	9	9	10	10
		South Vietnam	0	0	0	0	0.7
Cotton cloth	Million linear meters	North Vietnam	48	63	66	78	86
		South Vietnam	14	20	22	16	35
Rayon cloth	Million linear meters	North Vietnam	0	0	0	0	0
		South Vietnam	8	24	22	48	82
Matches	Million boxes	North Vietnam	26	87	83	115	183
		South Vietnam	48	38	35	26	33

a. Adjusted by adding 25 percent to account for power generated independently by individual industrial plants which was not included in the basic data.

b. Production of cigarettes in North Vietnam is converted from packages to tons on the basis of 1.25 ounces to 1 package.

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Table 5

North Vietnam: Gross Value of Agricultural Production
1956-60

	Million 1956 Dong				
	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
Food crops	1,030.4	944.4	1,084.3	1,243.0	1,020.1
Other crops	246.1	274.2	309.1	336.3	N.A.
Livestock	271.1	328.3	470.8	464.3	N.A.
Secondary occupations of peasants	295.3	346.8	336.7	340.5	N.A.
Total	<u>1,842.9</u>	<u>1,893.7</u>	<u>2,200.9</u>	<u>2,384.1</u>	<u>2,230.0</u>
Index (1956 = 100)	100	103	119	129	121

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Table 6

South Vietnam: Estimated Index of the Gross Value of Agricultural Production
1956-60

	1952-54 Equivalents <u>a/</u>	Production (Thousand Metric Tons)				
		<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
Rice (paddy)	100	4,140	3,870	4,840	5,310	5,420
Corn	100	19	18	29	26	28
Sweet potatoes and manioc	35	245	293	298	384	393
Sugarcane	100	523	870	761	824	846
Coconuts	165	18	26	26	29	30
Tobacco	860	7	7	7	5	5
Rubber	715	70	70	72	75	78
Tea	1,000	4	4	3	4	4
Livestock <u>b/</u>	820	42	44	47	48	55
Index for total agriculture (1956 = 100)		100	102	118	128	132

a. The average farm value of 1 metric ton of each commodity relative to the value of 1 metric ton of rice (paddy).

b. Data on livestock have been converted to the dressed meat equivalent.

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Table 7

North and South Vietnam: Production of Major Agricultural Products
1956-60

		Thousand Metric Tons				
	Country	1956	1957	1958	1959	1960
Rice (paddy)	North Vietnam	4,136	3,948	4,577	5,193	4,205
	South Vietnam	4,140	3,870	4,840	5,310	5,420
Rubber	North Vietnam	Negl.	Negl.	Negl.	Negl.	Negl.
	South Vietnam	70	70	72	75	78
Corn	North Vietnam	243	197	192	247	198
	South Vietnam	19	18	29	26	28
Sweet potatoes and manioc	North Vietnam	1,233	726	578	982	953
	South Vietnam	245	293	298	384	393
Beans (including soybeans)	North Vietnam	26	28	32	34	N.A.
	South Vietnam	6	7	8	8	10
Sugarcane	North Vietnam	202	385	495	451	403
	South Vietnam	523	870	761	824	846
Cotton (raw)	North Vietnam	6	6	6	6	4
	South Vietnam	N.A.	N.A.	1	1	Negl.
Tobacco	North Vietnam	1	2	1	1	N.A.
	South Vietnam	7	7	7	5	5
Tea (raw)	North Vietnam	2	3	3	2	3
	South Vietnam	4	4	3	4	4
Coffee	North Vietnam	0.3	0.3	0.3	0.5	N.A.
	South Vietnam	2.5	3.3	2.5	3.3	3.5
Peanuts	North Vietnam	19	24	32	35	N.A.
	South Vietnam	12	16	22	19	23
Coconuts	North Vietnam	Negl.	Negl.	Negl.	Negl.	Negl.
	South Vietnam	18	26	26	29	30

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Table 8

North and South Vietnam: Estimated Foreign Trade
1955-60

	Million Current US \$					
	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
	North Vietnam ^{a/}					
Imports	68.7	121.7	122.4	107.5	102.5	97.1
Exports	6.8	19.5	38.7	47.8	54.4	60.6
Total trade	<u>75.5</u>	<u>141.2</u>	<u>161.1</u>	<u>155.3</u>	<u>156.9</u>	<u>157.7</u>
	South Vietnam					
Imports	262.0	217.7	288.7	232.1	224.6	239.5
Exports	66.9	45.1	80.5	55.2	75.1	84.1
Total trade	<u>328.9</u>	<u>262.8</u>	<u>369.2</u>	<u>287.3</u>	<u>299.7</u>	<u>323.6</u>

a. Estimates of the foreign trade of North Vietnam in current rubles (pre-1961 rate of exchange) were converted to US dollars at the rate of 4 rubles to US \$1.

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Table 9
North Vietnam: Sino-Soviet Bloc Credits and Grants Extended
by Year of Extension
1955-61

	Million Current US \$							
	Total 1955-61	1955	1956	1957	1958	1959	1960	1961
Credits								
Communist China	232					75		157
USSR	260		7.5	11.8	20.7	25	195	7.5
Czechoslovakia	7.5							7.5
Poland	7.5							7.5
Rumania	37.5							37.5
Bulgaria	2.5							2.5
Hungary	9.5						2	7.5
Total	572.5 a/	16 a/	7.5	11.8	20.7	100	197	219.5
Grants								
Communist China	225	200				25		
USSR	105	100					5	
Czechoslovakia	9	9						
Poland	8	8						
Rumania	4	4						
East Germany	15	15						
Bulgaria	4	4						
Hungary	2	2						
Mongolia	Negl.	Negl.						
Albania	Negl.	Negl.						
Total	372	342				25	2	
Credits and grants								
Communist China	457	200				100		157
USSR	365	100	7.5	11.8	20.7	25	200	7.5
Czechoslovakia	16.5	9						7.5
Poland	15.5	8						7.5
Rumania	41.5	4						37.5
East Germany	15	15						
Bulgaria	6.5	4						2.5
Hungary	11.5	2					2	7.5
Mongolia	Negl.	Negl.						
Albania	Negl.	Negl.						
Total aid	944.5 a/	358 a/	7.5	11.8	20.7	125	202	219.5

a. Czechoslovakia, Poland, and Rumania together extended credits totaling \$16 million in 1955. Neither the terms of this credit nor the portion extended by each country has been announced. The \$16 million are not included in the total aid listed for the three countries.

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Table 10

North Vietnam: Percentage Distribution of Gross National Product, by End Use
1955-60

	<u>Percent</u>					
	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
Consumption	92	91	88	83	80	72
Gross domestic investment	9	14	14	15	17	22
Government	10	10	9	9	8	10
Total available resources	<u>111</u>	<u>115</u>	<u>111</u>	<u>107</u>	<u>105</u>	<u>104</u>
Net exports of goods and services	-11	-15	-11	-7	-5	-4
GNP	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

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APPENDIX B

METHODOLOGY1. Computation of the Index of the Gross Value of Industrial Production in North Vietnam in Table 2*

The index series in Table 2 for the gross value of industrial production in North Vietnam is based on official statistics for the gross value of heavy and light industry. A rough check on this series was made by computing an index series based on 18 major industrial commodities. The resulting series was somewhat lower, as follows:

	<u>1956 = 100</u>				
	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
"Official" series	100	138	162	209	250
"Check" series	100	136	159	210	239

2. Computation of the Index of the Gross Value of Industrial Production in South Vietnam in Table 3**

The index series in Table 3 for the gross value of industrial production in South Vietnam represents the first attempt at an index of industrial production for the country. This index should therefore be considered a preliminary estimate, subject to refinement as more data become available. The index was computed in two stages, as follows:

a. Computation of the Sector Weights and Indexes

In the first stage the 10 industrial commodities used in the index were classified into two sectors, heavy industry and light industry. Within each sector the commodities were weighted in proportion to their estimated gross value of production (physical output multiplied by factory door price per unit) in 1956. Because of the lack of data on factory door prices in South Vietnam, the price used for each commodity was the yuan price per unit in Communist China in 1957. The exceptions to this procedure were the unit price of rayon

* Appendix A, p. 47, above.

** Appendix A, p. 48, above.

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cloth, which was based on the relationship of the official wholesale price of rayon yarn to that of cotton yarn in South Vietnam in January 1960, and the unit prices for silk and "other" cloth, which were based on the relationship of the prices of Japanese exports of silk and wool cloth to that of cotton cloth in 1960.

The production indexes for each commodity were based on physical production in 1956-60, as shown in Table 4.*

Indexes for heavy industry and light industry were then computed by combining the appropriate commodity indexes within the sectors in proportion to the gross value of production of each commodity.

b. Computation of the Index for Total Industry

In the second stage the index of industrial production as a whole was obtained by combining the heavy industry and light industry indexes in proportion to the aggregate value of production in heavy and light industry. The sector weights for 1956 used in the index were 20 percent for heavy industry and 80 percent for light industry. These weights were estimated by judging the importance of the 10 commodities in relation to all commodities through analogy with the industrial structure of North Vietnam in 1956.

3. Computation of the Indexes of the Gross Value of Agricultural Production in Tables 5 and 6**

The index of the gross value of agricultural production in North Vietnam is based on official statistics that are given in Table 5.

The index of the gross value of agricultural production in South Vietnam in Table 6 was constructed by multiplying production (in tons) of each commodity by its value equivalent and then summing the resulting aggregates for each year. The total aggregate for a given year was then divided by the aggregate for the base period to obtain the index. The value equivalents represent the average farm value of 1 ton of each commodity relative to the value of 1 ton of rice (paddy) in 12 countries of the Far East*** and 4 countries of South Asia† in 1952-54.

* Appendix A, p. 49, above.

** Appendix A, pp. 51 and 52, respectively, above.

*** Burma, Cambodia, Indonesia, Japan, Laos, Federation of Malaya, the Philippines, Singapore, South Korea, South Vietnam, Taiwan, and Thailand.

† Afghanistan, Ceylon, India, and Pakistan.

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4. Computation of Gross National Producta. In North Vietnam

Estimates of GNP (in constant 1956 dong) for North Vietnam in 1956-60 are based on (1) official statistics on "national income" (as defined by the Communists) and on (2) estimates of value added in government and consumer services -- the two major components of GNP not included in the Communist definition of "national income." Value added in government was estimated to be 40 percent of the total government purchases of goods and services, and consumer services were estimated to be 15 percent of aggregate consumption. GNP, therefore, was calculated on the basis of the following formula:

"National income" plus 0.40 Government plus 0.15 Consumption = GNP

or, in other words,

"National income" plus 0.40 Government plus 0.15 (GNP minus investment minus Government minus Net Export of Goods and Services) = GNP.

Official statistics on "national income" are given in constant 1956 prices.

Budget data on government expenditures, however, are given in current prices. It was assumed that military pay and allowances (as well as the cost of military purchases) stayed the same during the 5-year period; budget data on expenditures for administrative, social, and cultural purposes, however, were used for only the base year 1956. The official index on the number of governmental administrative and professional personnel was then applied to 1956 budget expenditures to calculate government purchases in these fields in 1957-60.

Gross domestic investment was derived by summing (1) official statistics for state investment in fixed assets; (2) estimates of stockpiling of construction materials and equipment, investment in operating inventories, and general geological prospecting; and (3) estimates of nonstate (peasant) investment. It was assumed, in estimating the second category, that 80 percent of budgeted expenditures for economic construction over and above that portion invested in fixed assets represents increases in inventories and other miscellaneous investment. It also was assumed that there was no significant change in the average price of investment goods during 1956-60. Estimates for the third category rest on the assumption that nonstate investment was a constant 2.2 percent of the gross value of agricultural production (given in constant 1956 prices).

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It was assumed that during 1956-60 there was no significant change in the ruble prices used in valuing more than 90 percent of North Vietnam's total imports and exports. Estimated statistics on the net export of goods and services in current rubles, therefore, were used for the entire period.

Estimates of aggregate consumption in each year were derived as the residual, by subtracting gross domestic investment, government expenditures, and the net export of goods and services from estimates of GNP.

GNP in constant 1956 dong was converted into US dollars at the rate of 3.5 dong to US \$1. This rate represents the best estimate of internal dong values based on rates of exchange between the dong and Free World currencies.

b. In South Vietnam

No unified series of statistical data is available from South Vietnamese sources on GNP in 1956-60. Official statistics on GNP in the one year 1956 (prepared by the Research Department of the National Bank of Vietnam) were used as the basis for estimating GNP (by sector of origin) in 1957-60. Agriculture in South Vietnam in 1956 was estimated to have contributed about 60 percent and industry about 5 percent of the total production, mainly on the basis of a comparative study of the economic structure of North Vietnam in 1956.* The computed indexes for agricultural and industrial production were then applied to the estimated value added in agriculture and industry in 1956. In each year, value added in these two sectors was estimated to represent about two-thirds of GNP.

GNP in constant 1956 piasters was converted into US dollars at the rate of exchange of 60 piasters to US \$1, a rate considered by the International Cooperation Administration (ICA), the State Department, and the Ford-Brookings group of economists to be a more realistic conversion rate (in terms of internal purchasing power) than the official rate of exchange of 35 piasters to US \$1 or the limited-access (for tourists and diplomats), free-market rate of 72 piasters to US \$1.

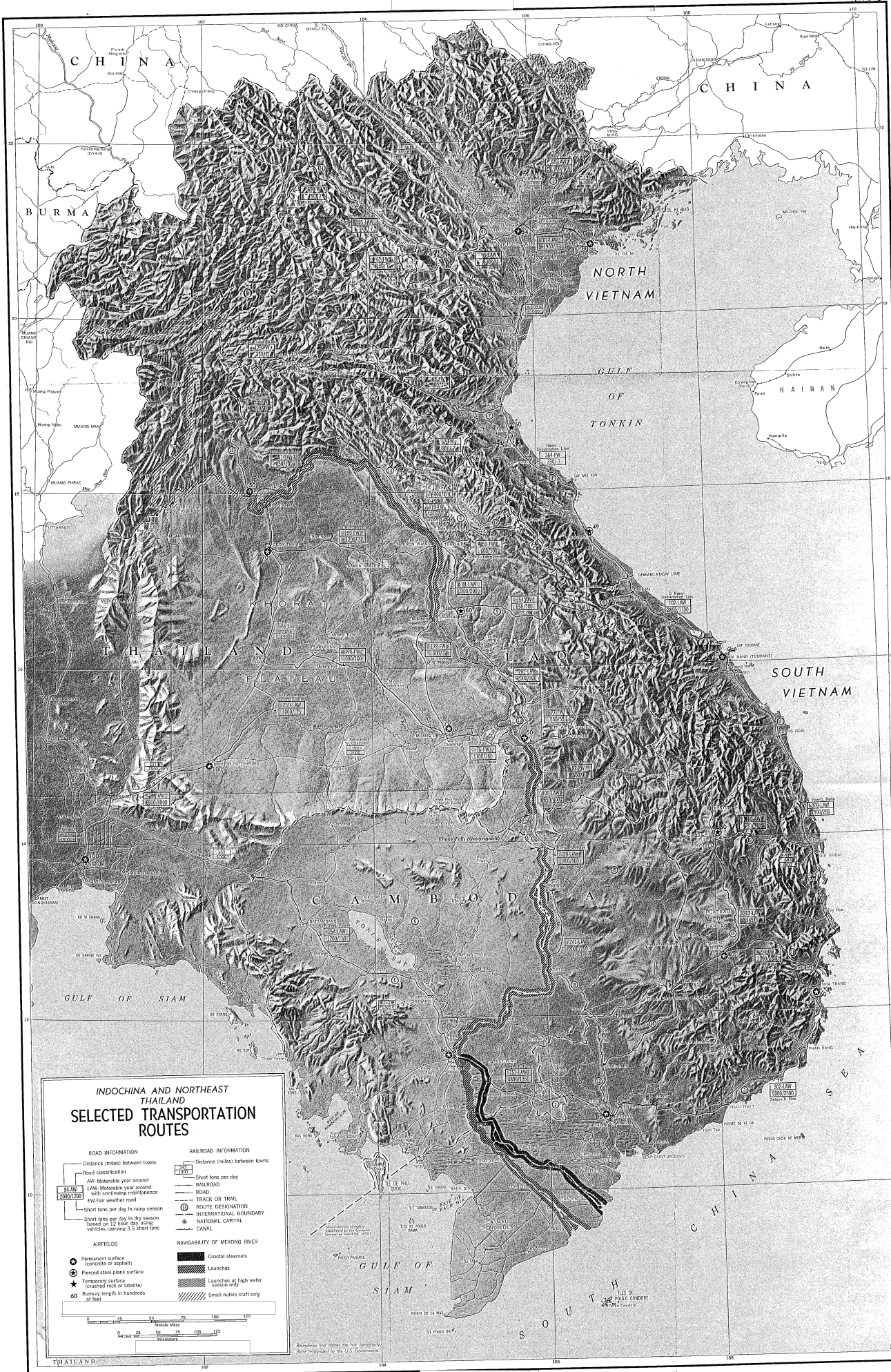
5. Statistics on Population

Data on population in North and South Vietnam are estimates of this Office that differ slightly from official statistics. Because of apparent discrepancies, official statistics were not used.

* In North Vietnam in 1956, agriculture contributed about 50 percent and industry almost 10 percent of the total production.

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Figure 5



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