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INCREASE IN BLOC AID TO NORTH VIETNAM

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INCREASE IN BLOC AID TO NORTH VIETNAM

The dispute between the USSR and Communist China has benefited North Vietnam by encouraging a greater display of concern for its economic well being on the part of the disputants. A concrete manifestation of this has been the extension during the past year by the USSR and Communist China of large new credits amounting to \$350 million for support of the first Five-Year Plan of North Vietnam (1961-65).

Although there are no indications that either China or the USSR is attempting to become a monopolist in providing aid to North Vietnam, it is apparent that neither is willing to leave the field to the sole influence of the other. It is of common interest to both the USSR and China that North Vietnam develop a well rounded economy, and the two large Communist powers have committed themselves to assist in a comprehensive and diversified economic plan. But, in view of its own economic deficiencies, the fact that China is providing any economic assistance at all to North Vietnam indicates concern that it not be deprived of influence in this bordering state; and the largeness of its program suggests the degree of its concern. Thus, the new Soviet commitments during 1960, even though they may have resulted from motives to which the Chinese could not object, have prompted China to extend additional credits in order to retain a prominent economic role in the economy of North Vietnam.

Economic assistance extended to North Vietnam by the Bloc since 1955 has totaled about \$882 million. Of this amount Communist China has extended \$457 million and the Soviet Union \$365 million. Of the total, about 58 percent--\$510 million--has been in the form of credits, with the Soviet Union providing about 50 percent and Communist China roughly 45 percent of the total. These two countries have also been the major sources of grants, supplying together about 90 percent of the total grants of \$372 million. Communist China, however, has supplied about 60 percent and the Soviet Union about 30 percent of total grants. Other Bloc countries have given the remaining grants and credits to North Vietnam, some in substantial amounts, others in token amounts (see Table).

Extensions of economic aid to North Vietnam have increased greatly in recent months. The most recent agreement was announced on 31 January 1961 and calls for a long term credit from China amounting to \$157 million, the largest credit extended by Communist China to any Bloc or Free World country, for the construction or expansion of 28 industrial and transport enterprises. 1/ Aid for a number of the enterprises covered by this agreement was provided by China under an earlier economic assistance agreement concluded in February 1959. Under the new credit, to be used from 1961 to 1967, China will provide aid for raising the output of the Thai-Ngyuen iron and steel plant to 200,000 tons per year and for

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the construction of several smaller iron and steel enterprises. Other assistance will be provided to the chemical and cement industries and for railway and bridge installations. In the field of light industry China will construct three mills for the manufacture of sugar, paper, and cotton yarn.

In November 1960, Communist China signed its first Scientific and Technical Cooperation Agreement with North Vietnam. 2/ Under the agreement China will send to North Vietnam scientists and technicians, furnish technical data in various industrial fields, and train Vietnamese technicians and students in China. In the field of agriculture China had agreed in March 1960 to build eight farms and a middle agricultural technical school. 3/

On 23 December 1960 the Soviet Union extended a credit of \$107.5 million to aid in the realization of North Vietnam's Five-Year Plan. 4/ Under the terms of the agreement the Soviet Union will provide economic and technical assistance over the plan period for the construction of 43 new industrial enterprises and projects. Soviet aid will be used to expand the fuel and power industry, lay the foundations for a modern machine-building industry, and strengthen the scientific research institutes in the country. This aid will include the construction of eight thermal and hydro-electric stations with a total capacity of 200,000 kilowatts; the expansion of the Hongay-Campha coal mines; the construction of eight machine-building factories; the construction and equipping of three scientific and research training institutes; and the exploration of mineral resources; as well as the planning of other industrial works. Soviet specialists will be sent to North Vietnam while Vietnamese workers will receive training in the Soviet Union. In addition to this credit, the Soviet Union extended at the same time a grant of \$5 million for medicine, insecticides and equipment, and specialists for an anti-malaria program. Also during December 1960, the 1961 protocol of the Soviet-Vietnamese Commission on Scientific and Technical Cooperation was concluded under which the Soviet Union will provide North Vietnam with assistance in the machine tool, electrical equipment, automotive, construction and other industries. 5/

In mid-1960 the Soviet Union extended a credit of \$87.5 million for expanding the production and processing of tropical crops (coffee, tea, rubber, fruits) in North Vietnam. 6/ The agreement envisages Soviet assistance in the setting up of a State farm, the reconstruction of existing State farms, the organization of supporting workshop facilities, and the construction of factories for processing tea, coffee, and fruit. Soviet specialists will be sent to North Vietnam and Vietnamese are to be trained in the Soviet Union so that eventually they may take over full operation of the projects.

Although Communist China has striven to maintain as prominent a role as the Soviet Union in the development program of North Vietnam, there has been no apparent effort to compete directly with

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the USSR. In fact there are many indications of cooperation in planning and administering an overall aid program that will yield maximum benefits to the economy of North Vietnam. Aid and advice are given in the areas most appropriate to the capabilities of the contributing nations. The Communist Chinese assumed a leading role in the early rehabilitation of North Vietnam's transportation and communications facilities as well as in the reconstruction and development of its irrigation system. In more recent years, Communist China has undertaken the construction of several important light industrial projects, including 10 rice husking plants, two sugar refineries, a cigarette factory, a match factory and a rubber-goods factory, a soap factory, and a knitted-goods factory. A Chinese credit of \$75 million, extended in February 1959, is being used to finance construction of several heavy industrial plants, including the Viet Tri and Thai Ngyuen power plants and Thai Nguyen iron and steel plant. In addition to the material assistance provided, the Chinese have provided a large number of technicians to install equipment, to manage operations, and to train indigenous personnel. 7/ It is estimated that about 1,000 Chinese advisers, technicians, and laborers were working in North Vietnam during 1960. More than 3,000 Vietnamese workers and students have gone to Communist China for training during the past five years.

While the Chinese have furnished large quantities of basic materials and manpower, the Soviet Union has sent machinery and equipment in the heavy industrial field. Soviet advisers have been particularly active in the mining and manufacturing industries. Soviet aid projects include the Hanoi Machine Tool Plant, the Lao Kay apatite mine, the Tinh-Tuc Tin mine, the Long-Cam coal mines, and the Viet Tri super-phosphate plant. 8/ In addition about 400 Soviet advisers and technicians were present in North Vietnam during 1960, and about 2,000 Vietnamese were studying at higher educational institutions in the Soviet Union.

Aid from Bloc countries other than Communist China and the Soviet Union has been small by comparison. Poland has built a sugar refinery and several power plants; East Germany has contributed a 500-bed hospital, some modern fishing trawlers, and automatic telephone equipment; and Czechoslovakia has given three plywood factories, a 600-bed hospital, and technical aid in the opening of two zinc mines and a plant for concentrating zinc ore. 9/ The other Satellites have given lesser amounts of technical aid, raw materials, and consumer goods.

Bloc aid to North Vietnam has averaged 12 percent of North Vietnam's GNP over the period 1955-59. Only because of this continuing large net inflow of goods and services from the Bloc has North Vietnam been able to support an investment program of increasing significance. The new credits will enable North Vietnam to continue to develop a diversified construction program and greatly improve the chances of success for the first Five-Year Plan.

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SINO-SOVIET BLOC CREDITS AND GRANTS PROVIDED TO NORTH VIETNAM,
BY YEAR OF EXTENSION^a (MILLION US DOLLARS)

	Total Aid	1955	1956	1957	1958	1959	1960	1961
China (of which credits)	<u>457</u> (232)	<u>200*</u>	7.5	11.8	20.7	<u>75</u> 25*		<u>157</u>
Soviet Union (of which credits)	365 (260)	100*	7.5	11.8	20.7	25	87.5 107.5 5 *	
Czechoslovakia		9*						
Poland (of which credits)	37 (16)	16 8*						
Rumania		4*						
East Germany	15	15*						
Bulgaria	4	4*						
Hungary (of which credits)	4 (2)	2*					2	
Mongolia	insig	insig						
Albania	insig	insig*						
Total grants	372	385	7.5	11.8	20.7	125	202	157
Total credits	510							
Grand total	882							

a. Grants are followed by asterisks.

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Analyst:

Coord:

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