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CENTRAL INTELLIGENCE AGENCY
 NATIONAL FOREIGN ASSESSMENT CENTER

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ECONOMIC HARDSHIPS IN VIETNAM

This is not particularly well written. It could have used a case for review.
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Since the end of the war in 1975, the long-suffering northern Vietnamese have seen their hopes for a better life collapse, and the southern population has had its apprehensions about life under Communist rule confirmed. The standard of living throughout Vietnam since late 1978 has been lower than at any time during the war, although food-growing peasants and some heavily involved in the private sector have managed to avoid any real suffering. [redacted]

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The people feel most keenly a shortage of food. Judging by official claims for the 1981 harvest and the current level of Soviet aid, there is probably only about 10 kilograms of food per capita per month. Shortages of nearly everything else are widespread, from the most ordinary consumer goods to fuels and electricity to transport services. Government control of what few goods are still available has been weakening, and more people have been forced into the free market for survival. [redacted]

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Shortages of Food and Consumer Goods

Grain production, which was 8.9 million tons in the initial full post-war year of 1976, dipped almost 20 percent by 1978 due to bad weather and mismanagement, but recovered to 8.9 million tons in 1980. During the same period, the population grew by 4.9 million. Official rations, which should feed about 20 percent of the total population of 55 million at the beginning of the post-war era were set at 22 kilograms per month per worker and 8 kilograms per month per child, with the average set at 15 kilograms. By 1979, the average had fallen to less than 10 kilograms. Beginning sometime in 1980, the government ceased feeding nonfood-growing southerners because it was unable to collect enough food for rations in both parts of the country. [redacted]

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Industrial output after the war rose 43 percent from 1975 through 1978, starting from a very low base and boosted by the availability of billions of dollars of Communist and non-Communist aid. During 1978-1980, however, industrial output dropped some 15 percent due to the cumulative effects of mismanagement, socialization policies that undermined incentives, and shortages of spare parts and raw materials. The end of Chinese aid in 1978 deprived Vietnam of its largest source of imported consumer goods, while the failure to utilize the South's consumer goods-oriented industrial establishment ruined the regime's hopes for meeting its needs domestically. [redacted]

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This memorandum was prepared by the Office of East Asian Analysis in response to a request by Chairman of the National Intelligence Council. Comments and queries may be addressed to Chief, Southeast Asia Division, Office of East Asian Analysis [redacted]

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Simultaneously with the development of deficits in food and daily necessities in Vietnam, the USSR by default gained a near-monopoly position as aid donor (after China ended its aid, and western donors suspended their programs after the first exodus of the boat people and the invasion of Kampuchea). Moscow, already concerned by a level of aid to allies that has risen to more than \$25 billion a year in recent years, has offered only minimum economic aid and has warded off Hanoi's repeated demands for more. [REDACTED]

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Growth of the Private Sector

The Vietnamese found that they could not survive on the official economy alone, and from late 1978 on, turned more and more to the free market for the margin of survival. The government reluctantly sanctioned a wider scope for the private sector and eventually acknowledged that until the economy achieves a higher level of socialist development, free markets could legitimately supply the majority of the people's needs in the south and play an increasingly larger role in the north.

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The private sector has made up enough of the deficits still left after Soviet aid to enable the population to survive, although at a very uncomfortable level. Its sources of supply include grain withheld from the state by peasants, privately produced consumer goods, consumer goods sent by overseas Vietnamese and goods stolen from state channels. Stealing from the state has become big business for a host of traders and corrupt officials.

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There was some increase in supplies during 1981, although none suggests a permanent improvement. Because of good weather in the north and the effects of a new system of contracts with peasants that allowed them to keep output above stipulated levels, grain output rose to an officially announced 9.6 million tons. Together with an estimated 750,000 tons of Soviet aid grain and after deductions for various losses and for seed, there should have been enough to provide average rations of 10 kilograms per capita per month. The actual situation was probably slightly better, because southern peasants under-report their harvests in order to put aside grain for sale to private traders. The supply of industrial goods may also have risen somewhat due to agreements signed with Moscow that called for a 9 percent increase in commodities to be exchanged during 1981-85 compared with 1976-80.

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Government Attempts To Improve Economy

There was no improvement in government management of the economy over the past year. Hanoi's appeals for aid from the non-Communist world have generally fallen on deaf ears, notwithstanding recent moves by the EC and France to provide about \$350,000 of aid for humanitarian uses over the next three years. Management of foreign trade (annual deficits have run \$600-\$800 million since 1976) has failed to produce more for export or to obtain more loans to finance imports. Production by state industries in 1981 actually fell, continuing the trend dating back to 1978.

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The state's most efficacious moves during 1981 were in competing harder for grain from peasants and goods from private producers through higher prices. Procurement prices for so-called voluntary sales to the state reportedly rose by up to 200 percent, depending on locality. Concurrently, salaries for workers and officials were supplemented by up to several hundred percent to enable them to buy part of their needs on the high-priced free market. [REDACTED]

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To finance these moves, the government had to expand the money supply by about 15 percent. As of the second half of 1981, the rate of inflation had climbed to three digits, according to some reports, driving more and more people to seek refuge in foreign currencies, particularly the dollar. The government tried to gain control over all foreign currency in the country by requiring registration, but eventually had to devalue the dong from 2.19 to 9 for each dollar. The black market rate reportedly has risen to 40 dong per dollar. [REDACTED]

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The situation for the Vietnamese people now is more complicated than simply a lowering of the standard of living from the war years. For southern peasants and those who have the energy to hustle in the private sector, life is reasonably good. Suffering is heavily skewed toward the officials, soldiers, pensioners, nonfood-growing peasants, and others in north and south who depend on the government for their primary or sole support. Those drawing salaries from the official sector with no or limited opportunities to interact with the private sector are suffering most of all. [REDACTED]

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SUBJECT: Economic Hardships in Vietnam

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