

16 September 1966

Supplement to

French-Owned Rubber Plantations in South Vietnam

1. As a result of the recent economic reforms in South Vietnam, the basic exchange rate given on page 3 of the April study is no longer valid. Effective 18 June 1966 the official exchange rate of 35 piasters to US \$1 was changed to 80 piasters to US \$1 and all exchange transactions became subject to a surtax of 38 piasters per US \$1, yielding an effective rate of 118 piasters to US \$1. In addition, an export tax of 32 piasters per US \$1 was levied on all exports of rubber.

2. The following new data should be added to Table 2,

Production of Rubber:

December 1965	6.2
Total 1965	56.8
January 1966	3.4
February 1966	0.2
March 1966	1.5
April 1966	3.5
May 1966	4.1

3. The following new data should be added to Table 3,

Exports of Rubber from South Vietnam:

September 1965	6.0	January 1966	1.0
October 1965	4.4	February 1966	6.5
November 1965	5.6	March 1966	3.5
December 1965	5.2	April 1966	0.8
Total 1965	63.8	May 1966	3.3

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French-Owned Rubber Plantations in South Vietnam
General Comments

1. Production

The production of rubber at the large plantations (plantations of more than 500 hectares) in South Vietnam through April 1965 was comparable to 1964 levels, but since that time production has been well below that of 1964 as Table 2 shows. This decline has resulted primarily from growing insecurity, military action, and transportation difficulties in the plantation areas. Thuan Loi and Phu Rieng plantations in Phuoc Long Province ceased production in June 1965 as a result of air strikes during the Dong Xoai battle. In October 1965, the Dau Tieng and Ben Cui plantations in Binh Duong Province also stopped production as these areas came under increasing VC control. Transportation has become a major problem for the plantations which must ship their rubber to Saigon and procure food, petroleum, and other supplies for the operation of the plantations. Periodically, the GVN supplies armed convoys for these purposes and a tax payment to the VC can apparently guarantee some additional transport.

2. Financial Situation

As a result of these factors and the increasing costs of plantation needs, workers' demands for wage increases, a decline in the world price of rubber, and an unfavorable exchange rate for rubber exports, the profitability of rubber production at the French plantations has been declining. The most recent detailed

data available on the profits earned by the major French-owned rubber companies in South Vietnam is for the year 1963. These data show a total profit of roughly 230 million piasters distributed by company as follows (in millions of piasters):

Terres Rouges	49
SIPH	84
CEXO	36
Michelin	38
Tay Ninh	12
LCD	11
SPCK	1
Xuan Loc	N.A.
Phouc Hoa	N.A.
CHPI	N.A.

The profit of 230 million piasters in 1963 was realized on total sales of 1,530 million piasters. Taxes amounted to roughly 500 million piasters and wages and other expenses totaled about 800 million piasters. It should be noted that not all profits can be transferred. In 1963, it appears that roughly 60 percent of declared profits were transferable at the rate of 73.5 piasters to US \$1. Although data on profits in 1964 and 1965 are not available, it is believed that profits declined in these two years.

As a result of this declining profitability, the French planters have sought to reduce their expenses by cutting back on fertilization and other care normally given to the trees, thereby further reducing production. Moreover, new plantings, which normally should take place at an annual rate of 3 percent

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of the planted area, have been reduced or stopped. This action will have serious long run consequences. Rubber trees generally do not yield latex until 7 years and usually cease yielding at 33 years. In 1964, the age of the rubber trees at the large plantations in South Vietnam was as follows (in percent):

More than 33 years	34
28 to 33 years	14
18 to 27 years	24
13 to 17 years	2
8 to 12 years	3
1 to 7 years	23

The basic exchange rate for exports in South Vietnam is 60 piasters to US \$1 (35 piasters plus a uniform subsidy of 25 piasters). Since 1962, however, the GVN has imposed a tax on the export of rubber which yields a real rate of exchange for rubber of only 46 piasters to US \$1. This real rate of 46 is not only below the basic rate of 60, but is considerably below the real rate of exchange for several new export items which, because of heavy subsidies, are exported at a real rate of 120 to 150 piasters to US \$1. The French planters have argued repeatedly that the decline in the world price of rubber should bring about a change in the export tax as is the case in Malaysia where the rate of the export tax on rubber is tied to the world price of rubber.

In addition to the export tax, the French-owned plantations pay several other taxes. Of the total amount of taxes paid in 1963 by the ten major French-owned rubber companies listed in

Table 1. the export tax accounted for 70 percent; land tax, 6 percent; business income tax, 10 percent; consumption tax, 3 percent; general tax, 6 percent; and other taxes, 5 percent.

According to French sources, French assets in the rubber plantations in South Vietnam totaled roughly \$100 million at the end of 1963. Detailed data on capital investments and current money value of each French-owned plantation are not available. The director of Plantations des Terres Rouges estimated that the capital value of the five plantations operated by his company is roughly 925 million piasters, including industrial equipment.

3. Exports

As a result of the decline in production and VC hindrance of the transport of rubber to Saigon, rubber exports have declined, amounting to only 62,000 tons in 1965 compared with 72,000 tons in 1964. (See Table 3). In spite of this decline, however, rubber still is South Vietnam's most important export. It is estimated that in terms of value roughly 70 percent of total exports in 1965 consisted of rubber. France continues to be the most important market for Vietnamese rubber, accounting for about half of total exports of rubber. Germany, the UK, and Japan have purchased most of the remainder in recent years as Table 4 shows.

Although rubber exports occupy a key place in South Vietnam's total exports, these exports are small in terms of world exports of natural rubber. In 1965, for example, South Vietnam's exports of 62,000 metric tons accounted for only

3 percent of total world exports of natural rubber. For this reason and because South Vietnamese rubber is of high quality, it would appear that these exports could be absorbed elsewhere should France curtail its imports of rubber from Vietnam. In 1965, for example, the U.S. imported 420,000 metric tons of natural rubber. Of this amount only 205 tons had come from Vietnam during January-August. Further, U.S. consumption of natural rubber in 1965 was 520,000 metric tons, of which 100,000 tons came from the U.S. stockpile.

According to the Annuaire Industriel and Commercial Vietnam, there are some 47 firms in Saigon-Cholon handling the export of rubber from South Vietnam. Among the ten major French rubber companies listed in Table 1, the following handle their exports through their own export firms in Saigon: Plantations des Terres Rouges, Societe Indochinoise de Plantations d'Heveas, Societe des Caoutchoucs d'Extreme-Orient, Societe des Plantations et Pneumatiques Michelin, and Compagnie des Hauts Plateaux Indochinois.

4. Labor Force

It is estimated that there are roughly 200,000 people residing on French-owned rubber plantations in South Vietnam. Of this total, 40,000 are actually engaged in the production of rubber. Approximately 34,000 of the 40,000 are permanent workers and 6,000 are employed on a part-time basis. Only about 200 of the total are

believed to be non-Vietnamese. In 1963, the total labor force of 40,000 was broken down by type of worker as follows:

Senior Administrators	400
Professional and Technical Personnel	1,450
Office Employees	1,200
Skilled Workers	24,000
Unskilled Workers	8,000
Apprentices	100
Part-Time Workers	6,000

Almost all of these workers are members of the Federation of Plantation Workers union, an affiliate of the national Confederation of Vietnamese Workers (CVT). These workers are covered by a labor agreement which was first signed in March 1960. Since that time the agreement has been amended by agreement between representatives of the Federation of Plantation Workers and the Plantation Owners' Association. The most recent negotiations between these two groups took place in January 1966 when the Federation of Plantation Workers sought a 5 percent wage increase. The Plantation Owners' Association maintains that a wage increase must be preceded by a GVN increase in the rate of exchange for rubber exports.

Because of the low salaries and the insecure conditions at many of the plantations, some workers have left the plantations. The personnel managers of the principal U.S. contractor in Vietnam (Raymond, Morrison and Knudsen-Brown, Root, and Jones) have recently discussed the recruitment of these workers with CVT leaders.

Table 1

Major French-Owned Rubber Plantations in South Vietnam e/

Company	Plantation Name	Province	Production Status	Area Control	Total Area <u>b/</u>	Planted Area <u>b/</u>	Exploited Area <u>b/</u>	Annual Production <u>c/</u>	Number of Employees <u>d/</u>
Plantations des Terres Rouges (PTR)	Quan Loi <u>e/</u>	Binh Long		As of October 1965, some villages were secure; VC present in others.	8.3	6.9	5.4	7.5	2,700
	Xa Cam	Binh Long	Operating normally as of June 1965.	As of October 1965, some villages were secure; VC present in others.	3.9	3.3	2.8	3.6	1,100
	Xa Trach	Binh Long	Operating normally as of June 1965.	As of October 1965, some villages were secure; VC present in others.	2.8	2.3	1.8	2.6	800
	Long Thanh	Bien Hoa			6.4	3.2	2.3	2.1	800
	Courteray <u>e/</u>	Long Khanh		As of October 1965, area was in GVN control.	4.1	2.6	1.8	1.6	600

Remarks: Although Xa Cam and Xa Trach were operating normally in June 1965, transport of rubber to Saigon was reported to be almost impossible.

Table 1

Major French-Owned Rubber Plantations in South Vietnam a/

Company	Plantation Name	Province	Production Status	Area Control	Total Area <u>b/</u>	Planted Area <u>b/</u>	Exploited Area <u>b/</u>	Annual Production <u>c/</u>	Number of Employees <u>d/</u>
Plantations des Terres Rouges (PTR)	Quan Loi <u>e/</u>	Binh Long		As of October 1965, some villages were secure; VC present in others.	8.3	6.9	5.4	7.5	2,700
	Xa Cam	Binh Long	Operating normally as of June 1965.	As of October 1965, some villages were secure; VC present in others.	3.9	3.3	2.8	3.6	1,100
	Xa Trach	Binh Long	Operating normally as of June 1965.	As of October 1965, some villages were secure; VC present in others.	2.8	2.3	1.8	2.6	800
	Long Thanh	Bien Hoa			6.4	3.2	2.3	2.1	800
	Courteray <u>e/</u>	Long Khanh		As of October 1965, area was in GVN control.	4.1	2.6	1.8	1.6	600

Remarks: Although Xa Cam and Xa Trach were operating normally in June 1965, transport of rubber to Saigon was reported to be almost impossible.

Table 1 - (Continued)

Major French-Owned Rubber Plantations in South Vietnam a/

Company	Plantation Name	Province	Production Status	Area Control	Total Area b/	Planted Area b/	Exploited Area b/	Annual Production c/	Number of Employees d/
Societe Indochinoise de Plantations d'Heveas (SIPH)	Suzannah	Long Khanh			3.9	2.3	2.0	3.0	1,100
	An-Loc	Long Khanh			4.6	2.1	1.9	2.8	1,000
	Binh-Loc	Long Khanh			3.5	2.0	1.3	1.4	500
	Ong-Que	Long Khanh		As of January 1966, area partly under VC control.	7.6	2.3	1.5	2.1	600
	Ben-Cui	Tay Ninh	Temporarily closed in October 1965.	As of February 1966, area almost completely under VC control.	2.0	1.4	1.3	2.4	800
	Gallia e/	Phuoc Tuy	Production near standstill as of April 1965.	As of January 1966, area under VC control.	5.0	2.3	2.0	2.5	1,000
	Long Thanh/ Helena	Bien Hoa		As of October 1965, area under GVN control.	4.3	1.8	1.7	2.2	1,000

Remarks: The workers at Gallia reportedly have been organized into a VC labor union and the CVT has been banned. The Ben-Cui plantation reportedly was defoliated heavily in early 1965.

Table 1 - (Continued)

Major French-Owned Rubber Plantations in South Vietnam a/

Company	Plantation Name	Province	Production Status	Area Control	Total Area b/	Planted Area b/	Exploited Area b/	Annual Production c/	Number of Employees d/
Les Caoutchoucs du Donai (LCD)	Tuc Trung	Long Khanh			5.6	1.5	1.0	1.3	600
	Trang Bom	Bien Hoa			1.2	0.9	0.6	0.7	500
	Cay-Geo e/	Bien Hoa		VC present within plantation in October 1965.	1.4	0.8	0.8	0.9	400

Remarks: About half the employees reportedly left Cay-Geo in June 1965 and operations are at a reduced pace. These three plantations are owned by the SIPH Company in France but are managed separately in Vietnam by LCD. Tuc Trung and Trang Bom plantations reportedly were partially defoliated in early 1965.

Table 1 - (Continued)

Major French-Owned Rubber Plantations in South Vietnam a/

Company	Plantation Name	Province	Production Status	Area Control	Total Area b/	Planted Area b/	Exploited Area b/	Annual Production c/	Number of Employees
Societe des Caoutchoucs d'Extreme-Orient (CEYO)	Loc Ninh	Binh Long	Operating normally as of June 1965.	As of October 1965, some villages under GWN control; others under VC control.	6.4	6.4	5.6	6.0	2,800
	Minh Thanh	Binh Long		Under GWN control as of October 1965.	1.4	1.4	1.4	1.8	600
	Xa Cat	Binh Long	Operating normally as of June 1965.	Under GWN control as of October 1965.	2.7	2.7	2.5	3.0	1,700
	Bu-Dop e/	Phuoc Long	Operations almost ceased as of June 1965.	GWN control of some villages; VC present in others as of October 1965.	1.7	1.7	1.2	0.8	300
	Dakkir	Phuoc Long	Operations almost ceased as of June 1965.		1.6	1.6	0.7	0.8	400
	Phu-Rieng e/	Phuoc Long	Operations ceased as of June 1965.	Partly occupied by VC as of June 1965.	1.3	1.3	0.7	0.9	200

Remarks: Several of the technical installations at Phu-Rieng have been destroyed by air bombing. Transportation of rubber from Loc Ninh and Xa Cat to Saigon reported to be almost impossible.

Table 1 - (Continued)

Major French-Owned Rubber Plantations in South Vietnam a/

Company	Plantation Name	Province	Production Status	Area Control	Total Area b/	Planted Area b/	Exploited Area b/	Annual Production c/	Number of Employees
Sta. les Plantations et Pneumatiques Michelin	Dau Tieng e/	Binh Duong	Temporarily closed as of October 1965.	VC control of plantation villages as of January 1966.	9.3	6.9	5.1	5.5	1,500
	Thuan Loi e/	Phuoc Long	Temporarily closed as of June 1965.	Area insecure as of September 1965.	5.5	3.0	2.3	3.2	450

Remarks: The Dau Tieng plantation was closed rather than meet VC demands for higher taxes and increased rice rations for workers. Technical installations at Thuan Loi partly destroyed by bombing and machinery and tools being stolen since management has departed. According to one report it would take at least six months to resume normal activity at Thuan Loi if proper security conditions were restored. In March 1966, it was reported that Michelin is attempting to sell these plantations to the West German branch of Continental Tires (Allemand Continental Pneus).

Table 1 - (Continued)

Major French-Owned Rubber Plantations in South Vietnam a/

Company	Plantation Name	Province	Production Status	Area Control	Total Area b/	Planted Area b/	Exploited Area b/	Annual Production c/	Number of Employees d/
Ste. des Reves de Tay Ninh	Hiep Thanh	Tay Ninh		No GVN protection as of October 1965.	4.3	3.5	2.5	2.6	1,400
Ste. des Plantations d'Hayeas de Xuan Loc	Hang Gon	Long Khanh		Area under GVN control as of October 1965.	2.1	2.1	1.5	1.5	700
Les Ceutcheous de Phouc Hoa	Phouc Hoa	Phouc Thanh			2.0	1.4	1.2	1.3	800
Compagnie des Hauts Plateaux Indochinois (CHPI)	Banmethout Mewal	Darlac Darlac			4.5	1.8	1.0	0.8	200 200
Societe des Plantations de Cau Khoi (SPOK)	Cau Khoi e/	Tay Ninh		Partial GVN control. VC appearing regularly as of June 1965.	2.3	1.1	0.8	1.1	500

Table 1 - (Continued)

Major French-Owned Rubber Plantations in South Vietnam a/

- a. Plantations of more than 500 hectares. One hectare equals 2.471 acres.
- b. Data are estimated and are in thousands of hectares.
- c. Data are in thousands of metric tons and are for 1963.
- d. Estimated number of permanent employees as of 1 January 1964. Data exclude occasional workers and family members residing on plantations.
- e. In August 1965 the Minister of Labor of the GW selected these plantations for closure because of the insecurity of the areas.

Table 2

Production of Rubber at
Large Plantations in South Vietnam
1957-65 ^{a/}

(Thousands of Metric Tons)

<u>Annual</u>			<u>Monthly 1964</u>	<u>Monthly 1965</u>
1957	59.4	January	7.2	7.9
1958	62.7	February	0.4	0.4
1959	65.6	March	0.5	0.7
1960	68.2	April	3.5	3.4
1961	70.8	May	6.1	5.2
1962	68.3	June	7.3	6.0
1963	67.3	July	7.0	5.6
1964	69.2	August	5.9	5.4
1965 (Jan-Nov)	50.6	September	6.3	4.7
		October	7.2	5.5
		November	7.9	5.8
		December	9.8	N.A.

^{a/} Large plantations are defined as those of more than 500 hectares. These plantations account for roughly 90 percent of the total output of rubber in South Vietnam.

Table 3

Exports of Rubber from South Vietnam

(Thousands of Metric Tons)

	Annual		Monthly 1964	Monthly 1965
1957	66.0	January	7.8	10.4
1958	68.5	February	6.9	7.6
1959	78.4	March	3.1	3.4
1960	70.1	April	2.1	1.6
1961	83.4	May	4.2	2.8
1962	74.5	June	7.1	4.2
1963	68.9	July	5.3	7.3
1964	71.6	August	7.8	5.3
1965	61.9 <u>a/</u>	September	6.0	6.0 <u>a/</u>
		October	7.6	4.2 <u>a/</u>
		November	6.1	5.3 <u>a/</u>
		December	7.5	6.5 <u>a/</u>

a/ The final official total for 1965 was announced as 61,934 metric tons. This total is smaller than the sum of the monthly totals (64,600 metric tons) which consists of provisional figures for September-December.

Table 4

Exports of Rubber from South Vietnam, by Country of Destination

Year	(Millions of US Dollars)										
	Total	France	Germany	UK	Japan	Italy	Netherlands	US	Belgium	Singapore	Other
1957	48.8	36.8	0.7	a/	0.1	0	a/	10.3	a/	0.6	0.3
1958	35.6	28.5	0.7	1.2	0.1	a/	0.1	4.5	a/	0.2	0.2
1959	46.9	21.1	11.0	1.9	0.6	1.6	1.4	5.3	2.0	1.9	0.2
1960	48.0	29.8	5.2	3.7	0.7	1.1	1.1	2.8	0.4	2.8	0.3
1961	43.8	25.2	6.3	6.6	0.1	1.0	0.6	2.9	0.5	0.2	0.5
1962	37.9	19.5	4.9	7.3	1.7	1.1	0.4	1.3	0.3	0.2	1.2
1963	33.5	18.1	5.9	3.9	2.3	1.2	0.6	0.4	0.3	0.1	0.9
1964	33.3	15.0	7.7	3.5	2.8	1.6	0.7	0.4	0.3	0.2	1.2
1965 (January-August)	16.6	7.2	3.3	1.6	1.8	1.2	0.4	0.1	0.3	a/	0.7

a/ Less than \$50,000.