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ECONOMIC INTELLIGENCE REPORT

ECONOMIC PROSPECTS FOR NORTH VIETNAM



CIA/RR 118

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(ORR Project 15.1789)

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FOREWORD

This report synthesizes the fragmentary information available on economic activities -- reconstruction and planning -- in North Vietnam since the Communist government assumed control over the area in late 1954. The present state of the economy is analyzed, and an estimate of the prospects for economic development is made. Estimates are made of agricultural production, agricultural self-sufficiency, and the status of the land reform program; of the level of activity of industry (principally textiles, cement, and mining); of the progress of socialization; and of the state of the transportation system. The foreign economic relations of North Vietnam with the Sino-Soviet Bloc and the Free World are discussed.

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ECONOMIC PROSPECTS FOR NORTH VIETNAM*

Summary and Conclusions

The economy of North Vietnam** has been substantially restored to its prewar level, but because of the unbalanced nature of the economy, attainment of viability and independence will still take some time. The regime has initially tackled the problems of increasing agricultural production, restoring the transportation network, and rehabilitating and expanding export industries such as those involving coal, cement, tin, phosphates, and other minerals. It is moving gradually to extend its control over all aspects of the economy -- in collectivization of agriculture, in nationalization of foreign and domestic trade and small productive units, and in over-all economic planning.

The major economic problem of the regime has been to raise production of foodstuffs to meet the minimum needs of the population while developing a self-supporting economy. The extensive efforts of the regime to mobilize all segments of the population for flood control and irrigation work, reclamation of abandoned land, cultivation of new land, and planting of subsidiary crops has led to a significant increase in domestic output. The spring and fall crops of 1956 were reportedly good, and the regime has claimed to have surpassed the prewar level in the production of foodstuffs and to have achieved a net food surplus. The regime in emphasizing production and domestic consumption of subsidiary agricultural crops is attempting to keep domestic consumption of rice low in order to provide some rice exports. Beginning near the end of 1956 and continuing to date, North Vietnam has been exporting small quantities of rice, probably reflecting a temporarily favorable

* The estimates and conclusions contained in this report represent the best judgment of ORR as of 1 August 1957.

** The term North Vietnam refers to that area of the former state of Vietnam north of the 17th parallel. The Democratic Republic of Vietnam (Viet Nam Dan Chu Cong Hoa), or DRV, is the governmental apparatus of the Dang Lao Dong (the Workers' Party), the Communist Party of Vietnam.

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position. In addition, the regime is placing emphasis on the development of the cultivation of cotton, the major industrial crop, in an effort to meet domestic raw cotton demands in the long run. Further increases in agricultural production will depend largely on imported chemical fertilizer and improved seed.

The land reform has been basically completed. Implementation of the program was full of excesses and abuse, and there has been considerable opposition to the program for this reason. The Party and government have shown an awareness of these failures, excesses, and shortcomings and have outlined constructive measures to be taken. Socialization of agriculture is proceeding very slowly, and disruptions caused by the land reform program have hindered any rapid advance. Most of the presently constituted mutual aid teams are of a temporary seasonal nature but should become increasingly more permanent as government pressure increases. If the pace is moderate, a fair degree of socialization should be attainable in the not too distant future.

Rehabilitation of modern industries has proceeded rapidly with the extensive aid of the Soviet Bloc, and most major mining and industrial installations are now back in production, although output is generally well below prewar levels. Production of coal (the major industrial asset of the area) in 1956 is estimated at about 1.2 million metric tons,* about half of the prewar peak but about 170 percent above that of 1955. Nearly 1 million tons of production in 1956 was exported, and it is estimated that by 1960 coal exports will increase by about 50 percent. Production of cement is approaching its former annual rate of about 300,000 tons.

Other enterprises primarily serving the domestic economy, such as the Nam Dinh cotton textile plant and the Haiphong phosphate crushing plant, have returned to production, and production of small industry and handicrafts has increased markedly. In spite of this progress in industrial reconstruction, North Vietnam is still far from being able to provide either a satisfactory supply of goods for home consumption or sufficient exports to pay for the large quantities of imported food, materials, and equipment necessary for further economic development.

With Chinese Communist technical and manpower assistance, rapid progress has been made in restoring transportation and communications

* Tonnages are given in metric tons throughout this report unless otherwise indicated.

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facilities. Rail lines have essentially been reconstructed with the exception of the line south from Hanoi to the 17th parallel, where unforeseen difficulties have prevented progress as originally planned and may delay completion until 1959. The highway system of North Vietnam has been generally restored to its prewar status and in some areas improved. Major emphasis is being directed toward bridging numerous streams in order to eliminate ferries on the primary roads. The Hanoi - Lai Chau route and roads south from Hanoi toward the 17th parallel have been significantly improved and will facilitate the rapid movement of troops and supplies to many points along the Laotian - South Vietnamese border. The assistance of the Soviet Bloc is making possible improvement of port facilities which will further expedite the handling of increasing trade requirements.

North Vietnam still is confronted with a chronic deficit in its balance-of-payment position, and abnormally high requirements for foreign goods and technical aid will continue for some time. Restoration of agricultural and industrial production and development of exportable resources have lessened the pressures somewhat, but the outlook for any great volume of exports is unfavorable.

The regime of North Vietnam probably will continue to concentrate, with moderate success, on efforts to increase agricultural, mineral, and light industrial production. The area has the resources to increase exports and to support a modest industrial development. For at least several years, however, it will require substantial aid from the Soviet Bloc to support even a minimum standard of living, and there appears little prospect for substantial forced saving to support rapid industrialization in the near future.

I. Introduction.

The conditions for normal production and economic development have not existed in North Vietnam since the mid-1940's. The Japanese wartime occupation was followed by the Chinese occupation at the end of World War II, and from late 1946 until the time of the French withdrawal in late 1954 and early 1955 the area was the field of a continuing civil war.*

* See Appendix A.

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Under French colonial control before World War II, economic developments in Tonkin Province in northern Indochina were limited to exploitation of coal and some mineral resources and to the development of agricultural and mineral processing plants and a few factories producing consumer goods for local use. Under the Japanese occupation during World War II, further exploitation of the deposits of coal, phosphates, tin, chrome, and other minerals was emphasized. Except for specific mining and forestry activities, almost all of the productive capacity (both agricultural and industrial) is located in the Red River delta area (see the map*). During the period of civil war these facilities were denied the Communists, but under the conditions of guerrilla warfare they were able to exist on the little that could be produced in the hills and jungle, which in time was supplemented by economic and military aid from Communist China and the USSR and from clandestine procurement of grain, medical supplies, and other items in the French-controlled areas.

With the withdrawal of French forces from the Red River delta in 1954 and early 1955, the Communists assumed full obligation for orderly government of economic activity and for providing food and essential consumer goods for the total population. The eventual success or failure of the regime will in great measure depend on its ability to carry out these duties. The new regime found that much of the existing industrial plant had been damaged to some extent by the war or by the withdrawing French forces, that French technicians and supervisors had been evacuated for the most part, and that a large segment of the skilled native labor force had fled to South Vietnam. In the rural areas the war had devastated large tracts of cultivable land, flood control and irrigation works were in advanced stages of disrepair, and the rural populace even initially showed some hostility to their new rulers.

In 1954 and most of 1955 the regime was burdened with unprecedented natural calamities, including a 2-year drought, severe flooding, and a devastating typhoon. During 1954 and at least up to the fall harvest in 1955, there undoubtedly was acute distress in many parts of the countryside. The year 1955 was to have been the first of 2 years of a planned economic recovery. Delays in delivery of Bloc aid to relieve the food shortage; continued delays in obtaining essential Bloc commitments for technical aid and equipment; and delays in developing comprehensive plans, because of a general lack of administrative and planning experience in the DRV government, contributed to making 1955

* Inside back cover.

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generally a year of trial and error, of false starts and backtracking. Up to the end of 1955, only in the fields of railroad and road rebuilding, and in rehabilitation of irrigation and flood control systems, where Chinese Communist aid was most readily available, was substantial progress made. Little progress has been made in the redevelopment of established industries, such as coal, cement, electric power, ferrous and non-ferrous mining, and textiles, where rehabilitation had to be delayed pending the availability of aid equipment, which began arriving in the spring of 1956.

The formation of a National Planning Board in October 1955 and of a statistical service in November 1955, and the arrival finally of Bloc advisers and technicians, enabled the government by early 1956 to inaugurate planned economic development and to utilize planned Bloc aid effectively.

II. Trends in the Economy.

A. Plan Fulfillment and Government Finance.

The 1956 State Plan of the DRV was formulated by the National Planning Board after its appointment in October 1955. It was first announced by Ho Chi Minh in December 1955 and was elaborated on in more detail and its principal points emphasized later by Premier Pham Van Dong and other ministers in articles and public announcements and in various conferences. The Plan apparently was developed under the influence of and with the advice and assistance of Soviet and/or Chinese Communist technical consultants along lines of Chinese experience in 1949-52.

The general over-all aim of the regime remains to build up the strength of the DRV for the eventual "peaceful" unification of North and South Vietnam under a Communist government. In order to make progress toward this aim, the 1956 program called for expansion of the state-owned sector, preparation of peasants' organizations and private industry for transition to socialism, restoration of production to the prewar level, rehabilitation and repair of old industries, development of new industries and processes, and intensive technical training of cadres and workers. Details of the plan have been couched in generalities, and few over-all figures of production or financial allocations have been given. It is clear, however, that specific production goals were set for the planned development of the economy. Total capital expenditures were to be allocated, with agriculture and irrigation receiving 20 percent; industrial construction, 38 percent; transport and communications, 23 percent; and culture, health, education, and miscellaneous activities, 19 percent. The percentage increases in production targeted for North Vietnam for 1956 are shown in Table 1.*

* Table 1 follows on p. 7.

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The rate of industrial growth has been very rapid but from a very low base, and the level of production is still below the prewar period. Most of the production goals for 1956 were met, prewar industrial facilities have in general been reconstructed, and there has been selected new construction. By far the most basic achievement during 1956 was the restoration of agricultural production to prewar levels. Production of rice exceeded its consumption, which in such a primitive economy outweighs many things. There were a number of shortfalls: the relative failure of industrial crops; poor management of various state enterprises; and, most important, failure to produce sufficient consumer goods to meet the increased demand created by the excellent rice harvests. These shortcomings were caused by extremely poor planning and implementation of policies by the Party and the government.

The economy of North Vietnam remains basically unstable. The regime has attempted to maintain a stabilized currency, through forced savings and a tight control of gold, but at present bank deposits are still dangerously low and the state has little control over the circulation of money. The purchasing power of the peasant was significantly increased by the good harvests of 1956-57, but supplies of consumer goods have been grossly insufficient. Hoarding and speculation have been widespread. Although the price of rice has generally been held stable, the prices of other foodstuffs and consumer goods have risen at will, hitting especially hard at the industrial worker and urban population. The regime is paying specific attention to the encouragement of consumer industry, but there is no real prospect in sight of eliminating continued inflation.

Improvement of the system of taxation and restraint on government expenditures, both planned aims, may help improve the situation. The regime claimed that the national budget for 1956 was balanced with revenues up nearly 34 percent above that for 1955. 1/* Commercial and industrial taxes were the main source of revenue in 1956, although agricultural taxes had the widest application. Collection of agricultural taxes, which are payable in kind, has given the regime a constant headache, as a result in great part of faulty administration among rural cadres. Income from state-owned enterprise profits provided about 27 percent of government income in 1956 following restoration of major industries, compared with only 4.5 percent in 1955. 2/ Sales of consumer

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Table 1
Planned Increases in the Economic Output
in North Vietnam
1956 and 1957

	1956 as a Percent of 1955	1957 as a Percent of 1956
Rice	122	102.6
Cotton	N.A.	120
Tea	N.A.	110
Pigs	N.A.	120
Buffalo and oxen	N.A.	107
Electricity	252	145
Phosphate	492	N.A.
Tin	329	N.A.
Coal	228	102.4
Cement	"Large"	N.A.
Cotton yarn	"Large"	149
Fabrics	356	140
Canvas shoes	300	N.A.
Silk goods	215	209
Matches	N.A.	400
Paper	230	119
Soap	416	151
Salt	N.A.	140
Brick and tile	262	N.A.
Agricultural implements	266	N.A.
Transport volume	N.A.	139
Mail volume	N.A.	110
Total value	328	141
Total investment	N.A.	105

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goods received under various aid programs undoubtedly also contributed to government revenues.

Expenditures in 1956 for economic development were increased about 100 percent above 1955, and those for social and cultural development were increased about 140 percent. Administration costs were reported to be up 23 percent above 1955, but defense expenditures were reduced about 9.4 percent. 3/

The regime has encountered numerous problems of financial inefficiency and has set up budgetary control commissions at each administrative level to check administration of state fiscal policies in all government organs, state enterprises and factories, and cooperatives established with state funds. 4/

The state budgets for 1955 and 1956 shown in Table 2* were compiled from various official statements.

The tremendous cost of rehabilitating the economy has largely been met from outside the state budget with Sino-Soviet Bloc aid. The USSR has extended at least \$100 million** to the regime, and in addition it has granted long-term loans. Communist China's aid has amounted to about \$330 million,*** and lesser grants have come from most of the Satellites. Assistance from the Bloc was critical in supplying foodstuffs and goods in the lean months following the Communist assumption of power and has been essential in restoring the bases of the economy -- agricultural and irrigation works, transportation and telecommunications facilities, and major industrial installations.****

* Table 2 follows on p. 9.

** Based on an exchange rate of 4 rubles to US \$1.

*** Based on an exchange rate of 2.43 yuan to US \$1.

**** This aid can be compared with US nondirect military assistance in South Vietnam of about \$330 million obligated in 1955 and about \$236.5 million estimated as obligated in 1956. Of the US aid, about 90 percent has been in direct dollar transfers and in allocations for imports of salable commodities. Project assistance has primarily been in housing, community development, health and sanitation, public administration, and transportation. Agriculture and natural resources projects have been allocated only about 10 percent of project assistance funds, and industry and mining only about 4 percent. 5/

Table 2
State Budgets of North Vietnam a/
1955 and 1956

	1955		1956	
	Amount (Million US \$)	Percent of Total	Amount (Million US \$)	Percent of Total
Revenue				
Commercial and industrial taxes	N.A.	N.A.	31.1	37
State enterprise profits	2.8	4.5	22.7	27
Agricultural taxes	29.6	47	26.9	32
Other	N.A.	N.A.	3.3	4
Total	<u>63</u>	<u>100</u>	<u>84</u>	<u>100</u>
Expenditures				
Industrial construction	{ 19.3	{ 31	16.8	20
Other construction			21.8	26
Social and cultural	4.5	7	10.9	13
Defense	20.4	32	18.5	22
Administration costs	8.5	13	10.5	12.5
Not identified	10.3	17	5.5	6.5
Total	<u>63</u>	<u>100</u>	<u>84</u>	<u>100</u>

a. Calculated at an unofficial exchange rate of 3,248 dong to US \$ 1.

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The regime is moving slowly in its aims for socialization, respecting the militant independence of the rural peasantry and private entrepreneurs. Increased state control of production and consumption, however, can be expected as the regime moves to attempt to correct the economic ills of the country. Cooperativization following the land reform program is just getting under way, and the government appears to be setting a very moderate pace in effecting further farm collectivization. Although major industrial plants, mines, and construction projects are under state operation, most small-scale industry and handicraft production remain in private hands. The regime apparently intends, at least for the time being, to control small industry indirectly through taxation and state-controlled marketing and supply mechanisms while attempting to gradually organize artisan craftsmen for cooperative production.

The broad outline of the 1957 State Plan of the DRV was released on 30 April 1957 after it had been approved in mid-April by the Council of Ministers. Although the main outlines of the Plan followed those of the 1956 Plan in calling for completion of the rehabilitation effort and a furtherance of socialism, the 1957 Plan points specifically at the problem of stabilizing the domestic economy. Special attention is being given to increasing the supply of consumer goods and foodstuffs. The level of industrial production will still be below that of 1939, but the value of production is to exceed that of 1956, by 41 percent. Most of the increase will be in consumer goods, production of which is to increase about 60 percent above that of 1956. State-owned enterprises (primarily producing for export or producers items) will contribute only 37 percent of the total value of industrial production in 1957, compared with their 45-percent contribution in 1956, leaving private industry (primarily producing consumer items) showing a large increase in production. Total investment in basic construction is to increase only 5 percent above the relatively high level seen in 1956. The percentage increases in production targeted for North Vietnam for 1957 are shown in Table 1.*

Agricultural production, as a whole, is planned to exceed the 1939 level by about 70 percent. Most of the increases in production will come from secondary crops, livestock, and industrial crops (especially cotton). Production of rice is planned to increase only 2.6 percent above the bumper harvests of 1956.

In order to accomplish the Plan goals, the regime has called for continued austerity, with restricted consumption of goods so that imports may be reduced and exports increased. Close attention is to be given to marketing and pricing and to assuring an adequate supply of

* P. 7, above.

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raw materials for industry, especially the small consumer goods producers, in an effort to stimulate production of light industry and handicrafts and to direct the zeal of private entrepreneurs and traders toward state programs. Widespread speculation has irritated inflationary pressures and contributed to the failure to meet many 1957 State Plan goals for the first half of the year. Effective control of the economy is still lacking, collection of taxes has continued to be difficult, and throughout large areas the peasants are largely alienated from the régime.

The DRV has announced no long-range economic plans. Statements that planning in 1956 and 1957 is aimed toward reestablishing the economy to its prewar level so that conditions can be created for switching over to a new stage of economic development indicate that the regime may consider 1955-57 as an era of reconstruction in which the Party plans to consolidate its position and gain planning experience before possibly launching a long-range plan in 1958. It is doubtful, however, whether the regime will be in a position to plan or execute a long-term plan within the next few years.

The regime will continue to face many difficult problems in attempting to attain a position of relative economic independence. Production of food must be greatly increased to keep up with the pressure of increasing population. Droughts and floods may easily destroy the precarious food surplus and set back industrial development. Exports must be raised substantially. Finally, a body of skilled technical and administrative personnel must be built up. Even with Bloc aid continuing at its present high level, achievement of an independent viable economy will take some time and will place a very heavy burden on the mass of the population.

B. Agriculture.

The basic achievement of the DRV in 1956 was to exceed the prewar level of food production and to attain a surplus from the rice crop. Since 1954, when the regime came to power, it has been faced with a long series of adverse weather setbacks and crop failures. Extremely severe drought throughout much of the area in the winter of 1953-54, extending in a lesser degree through the spring of 1956, and periodic floods, especially severe in the summer and fall of 1955, seriously reduced crop production. In addition, military activity, manpower levies from the rural population, and disrupted local subsistence and food distribution patterns adversely affected crop harvests, helping to create acute shortages of rice and other foods. The severity of famine in many parts of the country in 1954 and early 1955 prompted the regime to request aid rice from the Bloc. Although some aid arrived early in 1955, the bulk was delayed and arrived in the latter

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part of 1955 and the early part of 1956.

The regime early recognized that in order to develop a sound economy it would be necessary to overcome the deficit in production of food crops and to attain self-sufficiency in agricultural raw materials. Agriculture, as a sector, has been afforded a much greater emphasis than has been noted in other Communist countries, receiving about 20 percent of the total capital investment allocated under the 1956 State Plan. Flood control and irrigation programs were stressed during 1955 and 1956, and achievements in these areas have been significant. Of nearly 235,000 hectares reported affected by drought and rain-water flooding in early 1956, only a little more than 1,600 hectares were reported to have failed to yield crops. Reclamation of "scorched earth" was pushed forward, and by late 1956 nearly 85 percent of the 143,000 hectares claimed to have been laid waste during the war were said to have been reclaimed. 6/

The 1957 State Plan calls for continued emphasis on agriculture. Only a minor increase in production of rice above that of 1956 is planned, but production of subsidiary crops and industrial crops is expected to continue to increase at a rapid pace (see Table 1*). Under the 1957 Plan, agricultural production is expected to reach a level about 70 percent above that of 1939.

1. Rice.

Rice is the principal crop and main staple of the diet in North Vietnam. In the prewar period, production of rice made up more than 90 percent of the total grain harvested in the area. The 1956 total paddy production (5th month,** 10th month, and intermediate crops) was reported by Premier Pham Van Dong as 4,132,000 tons. He gave production for 1955 as 3.6 million tons, for 1954 as 2.6 million tons, and for prewar 1939 as 3.5 million tons.

These claims would appear to be generally valid. Prewar French statistics for production of rice in the same area put the crop for 1939 at 2.41 million to 2.48 million tons. 7/ There is good reason to believe that French estimates of the paddy crop were far from complete and that if the whole crop had been included, the crop in 1939 would have

* P. 7, above.

** North Vietnam has two major harvest periods as well as intermediate harvests. The fall harvest, or the "10th month" crop, is the principal harvest. The spring harvest, or the "5th month" crop, is the secondary harvest.

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amounted to about 3.5 million tons. 8/ The French estimated the population in the area now included in North Vietnam at about 13 million, 9/ which would thus give a per capita production in 1939 of about 270 kilograms (kg).

The yield in 1939 was given as 1.33 tons per hectare (tph), which checks favorably with prewar French statistics, which gave 1.2 to 1.3 tph for 1943-44. 10/ The DRV figure would also give an area of about 1.95 million hectares in 1939, compared with prewar French area estimates of 1.88 million to 1.93 million hectares for 1943-44. 11/

Reports of famine were common during 1954 and the early part of 1955. The reported low production in 1954 of only 2.6 million tons would have provided a per capita production of only 190 to 200 kg (based on a population estimate of 13.0 million to 13.6 million), nearly a third less than normal, from which widespread distress and hunger certainly would have followed.

These conditions extended into 1955, and the situation in the pre-5th month harvest period was acute. The government undertook strict control measures to insure availability of rice. Rationing was initiated in Hanoi in February 1955, in March the monthly rice ration was lowered by 10 percent to 13.5 kg for adults and 7.5 kg for children, 12/ and it was further reduced in June 1955 to 12 kg per month for adults. 13/ Even this quantity often was difficult to obtain at government stores. The 5th month harvest apparently was fair, and there were some reports that the famine was "almost over." 14/ The 5th month crop is the "second" crop in Vietnam, and supplies of rice undoubtedly were still inadequate. Continued disruptions in the distribution system aggravated the situation.

North Vietnam experienced severe flooding and a devastating typhoon in the summer of 1955, but extensive flood control efforts may have prevented any great amount of damage. The 10th month rice crop, the primary harvest in the area, was reported to be "pretty good," the first good harvest in 2 years, and on the basis of the DRV crop estimate of 3.6 million tons (and an estimated population of 13.0 million to 13.6 million people) for the year as a whole, per capita production would have risen to between 265 and 277 kg) approximating the prewar level.

The average yield in 1955 was stated as 1.5 tph, giving a total cultivated area for rice of 2.4 million hectares, or about 5 percent above the announced area for 1956. Some areas formerly

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sown in rice were reported to be sown in cotton and other crops in 1956, but this would not fully account for the discrepancy in the statistics.

The DRV received approximately 190,000 tons of rice as Bloc aid in 1955 and early 1956. The peak of rice shipments from the Bloc occurred in the last quarter of 1955, as a result of a delayed response by the USSR to earlier DRV requests for assistance at the time of greatest need. Urgent requests to the Bloc for relief supplies of grain were prompted by the extremely severe conditions of 1954 and early 1955. In the early months of 1955, however, only Communist China had sent antifamine aid to the DRV (estimated at 10,000 tons of rice through May). In late May a Polish shipment of about 5,000 tons of Burmese rice arrived at Haiphong. 15/ The bulk of the aid was finally supplied by the USSR.

In January 1955 the USSR initiated negotiations with the government of Burma for the purchase of about 200,000 tons of rice (total shipments of rice as Soviet aid to the DRV amounted to 170,000 tons). This purchase served two purposes for the USSR. Burma's efforts at finding markets for its exportable surplus of relatively low-grade rice had not met with great success, and the USSR stood to gain increased political stature by giving partial solution to the problem. In addition, the rice acquired could be used by the USSR to meet aid requests of the DRV. The negotiations were difficult, and the agreement was not signed until 1 July 1955. 16/ The first Soviet shipment arrived in North Vietnam in late July 1955. Regular arrivals began in September (before the 10th month harvest) and continued through February. The last Soviet arrival was in May 1956. If the negotiations had not been prolonged, initial shipments of Soviet aid might have more nearly coincided with the period of greatest need. As it was, the actual peak period of arrivals of aid rice did not necessarily conform to the actual time of need.

Production of 4,132,000 tons of rice in 1956 was about 15 percent above the claimed level for 1955. The total area cultivated in rice in 1956 was reported to be 2.28 million hectares. The area planted for each crop has not been reported. Considerable areas in Interzone IV (northern Annam) and the southern part of the Red River delta have been noted following the 5th month harvest with an intermediate crop of quick-growing Chinese rice. On some of this land the usual 10th month crop has then given a third rice harvest, and the remainder of the land has provided winter vegetables. Apart from multiple cropping, the yield per hectare should also increase as more areas are irrigated and the use of fertilizers (apart from the traditional dung and waterweeds)

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is increased. It has been reported that during 1956 about 33,000 tons of chemical fertilizer (presumably including crushed phosphate) were used (presumably on all crop areas) and that about 30,000 tons had been imported, principally from the USSR. 17/

The average annual yield of paddy rice in 1956 was given as 1.812 tph. This national average covers wide variations. In the Red River delta the average yield was 2.1 tph, with several provinces yielding 2.3 to 2.4 tph. Much lower yields were obtained from "dry" areas, and it has been reported that the regime is considering converting such land to other crops. 18/

An additional Plan goal was to attain a per capita production of 300 kg, and it was claimed that 303 kg per capita had been achieved. Based on the announced production, this would give a population of about 13.6 million, which is in line with current estimates of the North Vietnam population. Imports of rice ceased in May 1956, and the acute distress that had usually preceded harvests was greatly reduced. Non-Communist observers in North Vietnam have indicated that critical shortages of rice no longer exist. The regime has continued strict controls over distribution and the price of rice to insure availability. In February 1956 the distribution control system was expanded by placing rationing into effect in all provinces and towns of more than 2,000 persons. A ration of 15 kg per month was authorized for government cadres, administrative personnel, and university students, and special allocations were provided for members of the armed forces and those employed on specific reconstruction projects. By April 1957 the ration of rice was reported to be as high as 20 to 22 kg per month for military personnel and heavy laborers. 19/

Following the 10th month harvest, the DRV began exporting small quantities of rice, probably totaling about 30,000 tons by the end of the year. The DRV probably exported about 100,000 tons of rice during the first half of 1957. Exports in January and February averaged over 20,000 tons monthly. 20/ In May 1957, at least 5 Bloc vessels of 5,000 to 7,000 tons were noted loading rice at Haiphong 21/; and in June one Indian vessel at least loaded rice under the DRV-Indian trade agreement.

2. Subsidiary and Industrial Crops.

The regime has attempted to diversify agricultural production by increasing the area of subsidiary crops -- that is, vegetables and grains other than rice. Tax reductions on lands planted in these crops

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and preferential pricing were used as incentives to increase production in 1956. The program met with a fair degree of success. Production of sweet potatoes, manioc, and other vegetables was apparently good, and the regime has been able to export fair quantities of maize. Surprisingly, the regime has said little about achievement in this area.

Attention has been focused on the relative failure of industrial crops which apparently led to the nonachievement of the 1956 Plan goal of a 49-percent increase in industrial and subsidiary crops as a whole. Only production of groundnuts and jute achieved the Plan goals (given as 3-1/2 and 1-1/2 times, respectively, production in 1939). Production of cotton achieved only 90 percent of the Plan goal; production was reported as 6,300 tons compared with 4,500 tons produced in 1939. Sugarcane, tobacco, castor-oil seed, tea, coffee, and lack all fell short of the 1939 production. Industrial crops were reported to represent, in 1956, 4.6 percent of agricultural production (probably by value) and 3 percent of the cultivated area.

The regime has placed special emphasis on the development of the cultivation of cotton. Before World War II, more than 90 percent of the raw cotton needs of the cotton industry were imported. It is now planned to insure self-sufficiency in cotton so that imports of raw cotton and yarn can be discontinued. Soviet specialists are working at the cotton research center at Gia Lam, outside Hanoi, attempting to develop a long-staple variety of cotton for the conditions of the country, and quantities of Chinese seed have been imported for experimental and general use. The main cotton-growing areas are the four provinces of Interzone IV (northern Annam) and Thai Binh Province.

The cotton crop in 1956 was admittedly poor, partly as a result of drought in some areas and as a result of poor selection of areas for planting, poor storage and distribution of seed, and general inexperience among the peasants and agricultural officials. The regime is now attempting to increase interest in cotton with attractive prices and favorable tax rates on cotton land and by supplying seed and credit. These factors, plus promises of considerable local discretion in selection of suitable cotton land, should help attract more peasants to growing cotton. It may take some time to overcome inexperience, but the outlook over the long run for growth of a domestic cotton supply is promising. The 1957 Plan calls for a 20-percent increase in production, which, if attained, will still fill less than a third of the needs of the country for cotton.

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The regime is also fixing higher prices for other industrial crops in an effort to raise production. Although production in 1956 was apparently still below prewar levels, oil grains, tea, coffee, and other products have been offered as exports in many of the 1957 trade protocols.

Production of tea in 1956 was reported to be only half of the prewar level, which was given as 5,000 tons of dry leaf, from an area of 12,000 hectares. Production of tea is planned to increase about 10 percent in 1957. The USSR is assisting the government in constructing two tea-processing plants.

3. Forestry, Fishing, and Animal Husbandry.

The regime has said very little concerning forestry operations, but exploitation of woods and other forest products has been intensive to meet heavy local construction demands and for export. Although reforestation and conservancy practices -- strict under the French -- have probably suffered somewhat, reports of the planting of about 17 million trees, mainly in the coastal areas, dispel the impression that forest management is being neglected. 22/

Fishing is largely a part-time peasant industry in North Vietnam, and possibly because of peasants' commitments on corvée assignments during offseasons, it has not made the relative rapid recovery noted in other agricultural sectors. The 1955 catch was reported to have been about 152,000 tons. There was little increase in 1956: the salt water catch was reported to have been nearly 120,000 tons, 23/ and the fresh water catch has been said to be about 30,000 tons annually. 24/ The regime has apparently pushed socialization of the industry, and a recent report stated that 1,400 collectives and more than 2,200 teams, with nearly 58,000 members, had been set up. 25/

In November 1956 the DRV received four deep-sea trawlers, with radar equipment, as aid from East Germany. They are to work out of the new fish cannery now under construction at Haiphong.

The 1956 and 1957 State Plans both emphasize increasing the number of livestock to provide cattle and buffaloes for draft purposes and hogs and poultry for food consumption. Although the climate in the plains of North Vietnam makes cattle raising difficult, the government has encouraged cattle breeding through tax exemptions on grazing land and on areas used to grow fodder and through low-interest loans for purchases of breeding stock (to those farmers raising cattle). The 1956 Plan for an increase in the number of cattle and buffaloes

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was overfulfilled by nearly 8 percent, with the actual increase amounting to about 257,000 head. It was also reported that the number of cattle was about 58 percent above that of 1938 (probably about 1.3 million), or about 2 million head. 26/ The 1957 Plan calls for the number of cattle and buffaloes to increase by 7 percent, 27/ or approximately 14,000 head.

The number of pigs and poultry has not been reported, but there was a concerted effort in 1956 to raise the number of pigs. A serious porcine epidemic, however, occurred near the end of 1956, which by mid-January 1957 was reported to have affected more than 100 localities in the Red River delta and a part of Annam, killing about 2,000 pigs and affecting at least 10,000 others. 28/ The 1957 State Plan calls for the number of pigs to be increased by 20 percent.

4. Land Reform.

Land reform has been one of the heavily emphasized features of the DRV agricultural program. By the end of 1956 it had been basically completed in the Red River delta and upper midland regions, and the fifth, or final stage, in the central coastal provinces was well under way. There is no reason why the program should not be totally completed within the near future. It was reported near the end of 1956 that about 700,000 hectares of land and more than 100,000 draft animals had been redistributed to more than 8 million peasants. 29/

The land reform program was initiated in 1953, preceded in many areas by rent reduction. The program has proceeded in five stages, which appear to represent concentration first on the areas most firmly under Communist control and leading finally into the newly "liberated" areas north of the demarcation line.

In the haste of reform the program has been full of excesses and abuse. Some ethnic and religious groups, especially Catholics, have suffered discrimination, and many independent peasants who owned and tilled small sections of land had land and property confiscated along with the larger landowners in the heat of the campaign. In addition, the inexperience of Party cadres led to faulty registration of land areas and inaccurate, excessive estimates of production which in turn involved excessive tax assessments. There have been numerous instances of individual and group resistance to the program, one of the most recent being the uprising in November 1956 in Nghe An Province which required intervention of the armed forces.

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The popular revulsion engendered by the impossible tax burden and harsh collection policies of the local cadre, together with the continued discontent over unjust partition of land, was such that the regime inaugurated an "error-correction" program in the fall of 1956. The regime, however, has admitted that the basic revisions of acreage and productivity assessments will not be completed until the winter of 1957-58. Meanwhile, tax collections will proceed on the basis of the old assessments and quotas, with every indication that extractions will be harsh. ^{30/} In addition, efforts to correct the wrong done to unjustly dispossessed peasants have not had the desired effect of relaxing tensions in the countryside, because of resentment on the part of poor peasants who received land in the original program and now must give it up. Faced with the possibility of losing the support of the mass of poor peasantry, the regime in February 1957 shifted ground and ordered a temporary halt to restoration of property to former owners under the "error-correction" program. This shift evoked renewed criticism from the countryside. Thus the vacillating land reform policy is at present creating dissatisfaction and confusion among the peasantry. It is doubtful, however, at least up to the present time, that the disruptions and unrest which have been created by the regime's land reform policies have seriously affected agricultural production.

5. Socialization.

The regime has proceeded slowly in the field of socialization following the mistakes and excesses of the land reform program and peasant discontent. By mid-1956 it was reported that about 60 percent of the peasant households were members of about 190,000 mutual aid teams, which, although equivalent to lower form agricultural producer cooperatives, are for the most part temporary and seasonal in nature. At the year's end the government announced the same figure, indicating that peasant discontent concerning unjust land reform actions had led to the atrophy of many mutual aid groups. Socialization of land newly acquired will create further problems and resistance among the peasants, as many will not wish to lose their newly gained paddy fields. The government will nevertheless continue to apply pressures and the usual methods of persuasion, and if the pace is moderate, a fair degree of socialization should be attainable in the not too distant future.

The state is also extending its control over the peasant through the system of supply and marketing cooperatives, controlled by the state trading organization, and through credit cooperatives, controlled by the National Bank.

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The government has reported there are 16 state farms, 6 of which are described as "large estates." The regime has said very little about state farms, most of which are on confiscated French plantations and comprise experimental collectives and research farms. Some of these state farms support foreign technical missions -- for example, Soviet cotton experiments at Gia Lam.

6. Irrigation and Flood Control.

The regime has placed major emphasis on irrigation and flood control works. Any expansion of agricultural production in North Vietnam depends in great part on the control of river floods and of sea floods in the typhoon season; restriction of water-logging, by means of drainage; and adequate maintenance of large and small irrigation systems.

According to official DRV figures, the total area irrigated in 1956 was about 1,267,000 hectares, 31/ or more than 55 percent of the announced rice area. The agricultural plan for 1956 had called for irrigation of 73 percent of the 5th month rice area and 53 percent of the 10th month rice area. 32/

Major irrigation works have been reported to cover more than 360,000 hectares at present, supposedly about 13 percent more than the area covered under French control. These works include about 14 old works which have been rebuilt and extended to cover 170,000 hectares and 9 new works covering 55,000 hectares. The area covered by minor irrigation works in 1955 was reported to have been doubled in 1956.

Major flood-prevention works were accomplished in 1955 involving the strengthening and repair of both river and sea dikes. Dike work in 1956 has been limited to increasing the height of dikes, and at the end of the year the length of major dikes was given as 3,000 kilometers (km), the same as at the end of 1955.

C. Industry and Mining.

Largely with Soviet assistance, most of the major industrial and mining enterprises of North Vietnam, many of which suffered heavy damage during hostilities, have been restored, and production has increased markedly. The regime is giving priority to development of light industries and industries with an export potential and is relying on the Sino-Soviet Bloc for assistance in the field of heavy

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industry. In many industries the 1956 Plan was achieved or over-fulfilled, although production rarely approached prewar levels.

Although restoration of industrial plants has made steady progress, there have been several unsettling factors. During the latter part of 1956, there were numerous complaints about wages and working conditions. The regime has apparently taken steps to improve conditions and has revised wage scales, but no doubt there was some temporary slackening of production in state enterprises. In addition, there has been a growing disinclination of private entrepreneurs to continue or increase production unless there is some relief from tax disabilities and unless they are given better access to raw materials, practically all of which are supplied through the state trading organization. The shortage of various consumer goods produced by private industry was accentuated by heavy village demands after the good 10th month rice crop in 1956 which has prompted the regime to promise to give more incentives to private industrial enterprises in the future.

In spite of the steady progress in reconstruction of the primary industries of the country, the regime is still far from being able to provide either a satisfactory supply of goods for home consumption or sufficient exports to pay for the large quantities of imported food, materials, and equipment required for further economic development. The relatively large increases in industrial production in 1956 were primarily the result of restoration of existing large industrial facilities -- coal mines, tin and other mines, the cement works, phosphate crushing plants, the Nam Dinh cotton mill, and powerplants. Production increases in 1957 will come principally from producers of consumer goods -- that is, small industry and handicrafts. The 1957 Plan calls for investment in industrial construction to increase only 5 percent above the relatively high level seen in 1956. Industrial production is to increase only 41 percent above that of 1956 compared with a 330-percent increase in 1956 above that of 1955.

Major industrial plants (including mines) have been taken over by the state, and, although small in number, they represent the essential core of the industrial sector and their proportion of the national industrial product is high. Table 3* shows that the value of production of state-operated enterprises (and their percentage of total value of production) increased greatly between 1955 and 1956 as relatively large plants and mines resumed production.

* Table 3 follows on p. 22.

Table 3
 Value of Industrial Production in North Vietnam a/
 1955, 1956, and 1957 Plan

<u>Sector</u>	<u>1955</u>		<u>1956</u>		<u>1957 Plan</u>
	<u>Million US \$</u>	<u>Percent</u>	<u>Million US \$</u>	<u>Percent</u>	<u>Million US \$</u>
Private	22.2	80	49.9	55	80.7 (residual)
Public	5.5	20	40.9	45	47.3 (planned 37 percent of total)
Total	<u>27.7</u>	100	<u>90.8</u>	100	<u>128.0</u> (planned 41 percent above 1956)

a. Calculated at an unofficial exchange rate of 3,248 dong to US \$ 1.

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Production of the private sector (equivalent to small industry and handicrafts) more than doubled between 1955 and 1956, but its relative contribution decreased from about 80 percent to about 55 percent in 1956. In 1956 it was reported that there were nearly 60,000 small enterprises in North Vietnam.

In 1957 the public sector is calculated to produce only 37 percent of the total product compared with its 45-percent contribution in 1956. Production of consumer goods (private industry) is to increase more than two-thirds of its 1956 level, and private industry will increase its share of the total industrial product to more than 60 percent.

Progress in rehabilitation and the outlook for major industries in North Vietnam is outlined below, and output of major products is shown in Table 4.*

1. Electric Power.

In 1952, North Vietnam had only 18 power stations (of more than 100-kilowatt [kw] capacity) with an installed power capacity of 59,000 kw. More than 86 percent of the country's total capacity (7 stations, with 51,000 kw) is concentrated in the Hanoi-Haiphong area. Much of this is located in three coal-fired steam plants -- a 22,500-kw plant in Hanoi, a 6,300-kw plant in Haiphong, and a 12,200-kw plant at the Haiphong Cement Works. The only other significant plants in the country are a 4,000-kw-installed-capacity plant at the Hon Gay Coal Mine and a 3,450-kw-installed-capacity plant at the Ben Thuy wood products mill. 34/

During hostilities, some of this installed capacity was reduced by damage to equipment, and some equipment was removed in major stations by the withdrawing French forces. The French have subsequently replaced equipment at Hon Gay and at the Hanoi Water and Electricity Company. 35/ The capacity of existing plants is being increased with Bloc aid, and new plants have been reported under construction at Cao Bang, Vinh Yen, Thanh Hoa, Vinh, Lao Kay, and Viet Tri. The majority of these plants are being installed by the USSR, with completion scheduled for 1957 or earlier. The capacity of the system in 1952 has no doubt been restored; production in 1956 was planned to increase about 152 percent above that of 1955. The 1957 Plan calls for only a 45-percent increase in production above that of

* Table 4 follows on p. 24.

Table 4

Estimated Output of Major Industrial Products in North Vietnam
1939, 1955-57, and 1960

Product	Unit	1939	1955	1956	1957	1960
Electric power	Million kwh	29.6	46	117	170	227
Coal <u>a/</u>	Thousand metric tons	2,615	459 <u>b/</u>	1,215	1,245	2,000
Cement <u>a/</u>	Thousand metric tons	305	100 <u>c/</u>	187	250	300
Phosphate (phosphorous content, 15-20 percent) <u>a/</u>	Thousand metric tons	35.7	8.7	34.1	50	50
Tin	Thousand metric tons	0.7 0.8		0.2	0.7 0.8	0.9
Cotton yarn	Thousand metric tons	12	1	5	7	11
Cotton cloth <u>a/</u>	Thousand metric tons	8.9	1.3	7.1	9.9	13

a. Production series for 1939, 1955, and 1956 published in Nhan Dan (Party Organ) on 1 May 1957. 33/

b. May-December production only.

c. Total year production. Announced figure of 8,500 tons for November-December.

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1956. It is estimated that by 1960 the total capacity will be increased to about 100,000 kw.

2. Coal.

Coal continues to be North Vietnam's major industrial asset. With Sino-Soviet material and technical assistance, production of coal in the state-operated Quang Yen coalfield* (Hon Gay - Campha) -- which accounts for nearly all North Vietnam's production of anthracite coal -- rose sharply during 1956. References to production of coal have been confusing, but production in 1956 probably was about 1.2 million tons ^{36/} compared with about 459,000 tons in 1955. Production in 1956 exceeded the Plan goal. The 1957 Plan for production calls for a negligible increase of only 2.4 percent above that of 1956.

Domestic consumption of coal is historically limited. The export market is the major outlet for Vietnamese coal, and future production will largely depend on the amount of coal the regime is able to sell abroad (see Table 5**). Anthracite coal, inherently lacking in some of the attributes essential for industrial and metallurgical uses, is limited generally to such domestic uses as space heating and cooking. High shipping costs curtail the demand for Vietnamese coal in Western Europe, so that the market tends to be limited to traditional outlets in China, Japan, and Hong Kong and to a lesser extent some Southeast Asian countries.

Exports of coal in 1956 amounted to nearly 1 million tons compared with about 300,000 tons exported in 1955. Exports to China probably reached about 200,000 tons, whereas the prewar annual average was more than 500,000 tons. Exports to Japan in 1956 are estimated at 380,000 tons compared with the prewar annual average of more than 600,000 tons. Exports to Hong Kong of 200,000 tons in 1956 are slightly in excess of the prewar average.

Although opportunities exist in these markets, especially China, for increased sales of Vietnamese coal, it cannot be expected that there will be dramatic increases in demand. It is estimated that by 1960 production may reach about 2 million tons. Exports should reach about 1.5 million tons, which is more than 50 percent above the estimated exports in 1956 and only slightly less than the prewar annual average of 1.6 million tons.

* See the map inside back cover.

** Table 5 follows on p. 26.

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Table 5

Estimated Exports of Anthracite Coal from North Vietnam
Prewar Average, 1955, 1956, and 1960

	Thousand Metric Tons			
	<u>Prewar Average</u>	<u>1955</u>	<u>1956</u>	<u>1960</u>
Communist China	546	0	200	400
Japan	608	187	380	400
Hong Kong	178	15	200	300
Other Southeast Asia				100
Malaya	0	25	25	
Thailand	0	3	0	
Singapore	0	N.A.	4	
France	122	58	58	100
Other West Europe				100
Belgium	0	9	75	
Italy	0	0	19	
Other and bunker	150	N.A.	N.A.	100
Total	<u>1,604</u>	<u>297</u>	<u>961</u>	<u>1,500</u>
Percent of total production	61	65	79	75

3. Cement.

The output of the Haiphong Cement Plant constitutes the largest volume of production of any single industry other than coal in North Vietnam. This plant is the largest cement producer in Southeast Asia, with an installed annual capacity of about 400,000 tons, and an effective annual production of about 300,000 tons. Operations at the plant were disrupted in March 1955 during the French withdrawal. The plant was taken over by the state and, with heavy reliance on Soviet technical assistance, was put back into operation in November 1955. The plant is vulnerable to numerous breakdowns, as much of the equipment was installed about 1930. Maintenance and repair apparently are a critical problem.

Including production under the French in the first quarter, production in 1955 is estimated at only about 100,000 tons. There has

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been a heavy demand for cement for the extensive rehabilitation programs and for export. Production in 1956 is estimated to have reached about 187,000 tons. In 1956, about 80,000 to 90,000 tons (45 percent of production) were exported, principally to Communist China and possibly to Ceylon and Indonesia. During January and February 1957, exports were maintained at 15,000 tons a month, but they decreased to only about 5,000 tons in March on account of technical difficulties at the plant. 37/ As domestic construction demands slack off, more cement will be channeled into exports, which in 1937-39 took more than half of the total production.

Unless new capacity is added, and/or present equipment is replaced, it is doubtful if the present relatively high rate of production can be maintained. Because of lags in designing and production schedules, installation of new production lines or replacement of existing plants probably will not take place before 1958.

4. Phosphate.

Important apatite (calcium phosphate - fluoride) deposits in North Vietnam are located near Lao Kay; deposits of rock phosphate (18 to 25 percent P_2O_5) are located near Thanh Hoa. The state-operated Haiphong phosphate crushing plant, the largest in Vietnam, was reopened in April 1956 after many years of inactivity but since then has often been shut down because of machinery breakdowns. The reopening of this plant and the completion of the Lao Kay - Haiphong rail link have greatly stimulated production at Lao Kay, where East German technicians are assisting in development. Much of the production at Lao Kay is being exported, principally to Japan through the port of Haiphong. Other smaller plants at Ben Thuy, Chu Le, Bac Giang, and Nam Phat (near Thanh Hoa) are in operation, producing phosphate fertilizer for the domestic market. The practice in North Vietnam is to apply the powdered rock directly to the soil without further processing, and, because of its low solubility, this type of fertilizer is not as effective as chemically prepared phosphate fertilizers.

North Vietnam is presently dependent on imports for nitrogen fertilizers and in part dependent on imports for chemically prepared phosphate fertilizers, especially superphosphates.

5. Tin and Other Minerals.

Mineral exploitation in North Vietnam was most widespread under the Japanese occupation. Postwar production was negligible, and

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the civil war deterred any major mining efforts. Several small tin mines in the Tinh Tuc area have been reestablished by the regime, and a small smelter has been erected. ^{38/} Restoration, with Soviet assistance, was completed in September 1956. Although production will be increased in order to provide a source of export income, exploitation of tin resources will tend to be limited by the already developed large reserves in Yunnan, production of which can be expected to increase with completion of the Kunming-to-Haiphong rail outlet. Under the DRV-Polish trade agreement, Poland is importing the entire DRV output of tin. It is estimated that production is presently approaching prewar levels of about 700 tons per year.

Soviet geologists have been conducting an intensive mineral survey in order to determine the reserves of known deposits and to find new deposits of exportable ores and metals; about 50 sites were reported surveyed in 1956. ^{39/} Other minerals are presently being worked. Tungsten (previous production, about 580 tons of 66 percent WO_3 concentrate in 1937) is being mined in connection with the exploitation of the Tinh Tuc tin deposits, but production is probably negligible. Production of chromite (previous production, 12,000 tons of 45 percent concentrate in 1943-44) was resumed in March 1956 with the reopening of the Co Dien mine, in Thanh Hoa Province, under the 1956 State Plan. The mine fulfilled its norm by mid-November, but no output figures have been released. Iron ore (previous production, 135,000 tons of 50 to 70 percent content ore in 1939) is being worked in Thai Nguyen, at Co Dien, and near Vinh, supporting small local foundries, and also in the Quang Yen coalfield. Unspecified quantities have been exported. Production of zinc (previous production, 7,000 tons of zinc metal in 1941) was resumed in 1955; present production probably is no more than about 2,000 tons of metal content of concentrate, and Poland has contracted to take the entire DRV output. There have been no reports that the heavily damaged zinc smelter at Quang Yen has yet been restored.

Other known reserves in minor quantities include manganese (former peak production, 7,700 tons in 1944); lead (former peak production, 200 tons in 1943), which possibly is being worked in connection with zinc; and bauxite (former peak production, 12,800 tons in 1942). The Soviet survey also indicated several mineral deposits not previously known: copper near Son La, iron near Yen Bay, and an unlocated mercury deposit.

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6. Textiles.

The Nam Dinh Cotton Mill (formerly the Société Cotonnière du Tonkin), the largest textile plant and industrial producer of cotton fabrics in North Vietnam, was taken over by the state from the former French owners and was restored to operation in November 1955. ^{40/} In 1956 the Chinese Communists supplied 600 automatic looms to aid in reequipping the plant. ^{41/} A new powerplant was also completed at the factory in 1956. Production of cotton cloth at the Nam Dinh mill in 1956 amounted to about 22 million meters (about 3,000 tons) despite labor troubles during the year. Some canvas apparently was also produced for use in making canvas-top shoes.

Historically, about 60 percent of North Vietnam's production of cotton fabrics has come from cottage looms centered for the most part in the Nam Dinh area. Private artisan weavers were reported to have produced more than 30 million meters (about 5,000 tons) of cloth (silk as well as cotton) in 1956. ^{42/} During the year the regime reportedly supplied about 4,000 tons of yarn to artisan weavers to supplement yarn produced by local spinning. In addition to cloth, small workshops are producing toweling, mosquito netting, and cotton tricot for underwear and socks.

Production of cotton fabrics is thus approaching prewar levels, but even prewar production was not sufficient to meet domestic demand, and both fabric and yarn are imported from the Bloc, especially Communist China.

The output of cotton yarn was to have increased markedly during 1956, but there have been no reports of levels of production. Nearly three-quarters of the estimated 142,000 spindles in North Vietnam are in the state-operated Nam Dinh Cotton Mill. The only other large-scale spinning mill, the former Société des Filteries de l'Indochine at Haiphong, apparently has not been reopened. Privately operated spinning mills have had difficulty obtaining raw cotton through the state trading monopoly. It is estimated, therefore, that production of cotton yarn might have been about 5,000 tons. Requirements for cotton yarn for production of cloth in 1956 alone would have amounted to about 8,000 tons. Imported yarn was therefore required to supplement local production.

The textile industry has been dependent on imports also for more than three-quarters of its raw cotton requirements. The DRV is planning on future self-sufficiency in raw cotton. Although the

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cotton crop in 1956 was poor and the yields are relatively low, the long-run outlook for a supply of domestic cotton is promising (see II, A, 2, above).

7. Miscellaneous Industrial Activities.

The output in 1955 of small industries and handicraft enterprises, producing almost entirely for the domestic market, more than doubled in 1956, although the level of production seldom approached prewar levels. Early in 1957 it was reported that there were presently nearly 60,000 small industry and handicraft enterprises, employing more than 100,000 workers and producing 5,000 kinds of goods. Private capital, driven out of commerce by the state, supposedly is being guided into this type of industry. Small industry produces (a) consumer items, such as food products, cloth, matches, tobacco, soap, wood, and household products; (b) construction materials, such as bricks and tile; and (c) light manufactures, such as bicycles, bicycle tires, and such small iron manufactures as threshing mills, ploughs, and sprayers.

The regime is constructing several small industrial plants under various Bloc aid programs. The Phu Tho Tea Plant with Soviet aid began trial production in March-April 1957, 43/ with much of its production probably being exported. A machine tool factory is being constructed with Soviet aid at Hanoi, but no details are yet available. 44/ The USSR is also supervising construction of a fish cannery at Haiphong, and the Chinese are aiding in furnishing textile equipment as well as sponsoring a match factory, 10 rice mills, and a cigarette plant.

The total value of items produced by small industries in 1957 should nearly double the level of 1956, but during the past year timely and adequate supply of raw materials by the state trading monopoly to industry has been wanting, and any sizable increases in production will be dependent on the regime's ability to rectify the situation in 1957.

D. Transportation and Telecommunications System.

1. Transport.

With large-scale technical and material aid from Communist China, the regime in North Vietnam is carrying out an ambitious rehabilitation of the rail, highway, and water transport

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systems and has initiated an embryonic civil air organization. The transportation system, although not highly developed, is presently capable of supporting the demands of the North Vietnam economy. During 1956 the regime completed the rail line from Hanoi to Lao Kay and continued work on the rail line between Nam Dinh and Thanh Hoa. The capacity of the road system was being increased by bridge construction. Shortage of materials, particularly for permanent bridges, hampered progress in both the rail and road programs. The ports of Haiphong, Hon Gay, Cam Pha, and Ben Thuy were being improved by dredging of the channels of approach.

The prompt restoration of main lines of communication has greatly facilitated absorption of foreign aid and furthered economic development. Although no absolute performance figures have been released, an announcement in August 1956 expected that the volume of goods transported in 1956 would increase about 50 percent above that of 1955. 45/

The 1956 transport plan called for a performance of 291 million ton-kilometers (tkm). In the plan, railroads were to carry about 42 percent 46/ of the total performance (or about 122 million tkm), with primary importance being given to the railroad links with Communist China. Waterways were to carry about 47 percent of the plan, with the bulk of traffic concentrated in the Red River delta area and in coastal movements to Chinese Communist ports and ports in the southern part of the country. Motor transport, to carry only about 11 percent of the plan (or about 32 million tkm), apparently is reverting to a secondary role as a local distributor from its dominant role during and immediately after the hostilities as a long-haul carrier. The 1957 State Plan calls for the volume of transport to increase about 39 percent above that of 1956.

Private means of transport still carries a large share of the transport volume. The 1957 State Plan calls for state-owned transport to carry about 61 percent of the total volume of transport.

a. Railroad Transport.

The DRV authorities inherited from the French a badly damaged meter-gauge rail system consisting of four single-track lines radiating from Hanoi. Only the 100-km Hanoi-Haiphong line was operable, and even on this line numerous culverts and bridges needed to be rebuilt.

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(1) Hanoi - Nam Quan Line.

In reconstruction of the remaining three lines, the strategically important line north from Hanoi to Nam Quan on the Chinese border was accorded priority. Rail over this line had been removed during hostilities, and the roadbed was in a bad state of repair, but under the direction of the Chinese Communist 102d Military Railroad Engineering Battalion 47/ this 167-km line was rebuilt to its original meter gauge between December 1954 and March 1955 and partially restored to service. Through passenger service between Communist China and North Vietnam was initiated in August 1955. 48/ In the second quarter of 1956 this line was reported to be in a good state of repair, and the roadbed was being maintained and additional sidings constructed using Chinese labor. At that time, 2 passenger trains were operated each way per week; freight trains averaged about 1 a day going each way. 49/ This line is planned eventually to be converted to Chinese standard gauge (4 feet 8-1/2 inches). Conversion would aid considerably in augmenting capacity and would eliminate the delays necessitated by transloading at the change-of-gauge point on the Chinese side of the border at P'ing-hsiang. At present, however, there is no evidence that actual conversion is under way or that work will be initiated within the next few years.

(2) Hanoi - Lao Kay Line.

The 296-km section of the meter-gauge Kunming-Hanoi-Haiphong line extending from Hanoi to Lao Kay on the Chinese border had been largely destroyed in the French-Vietnamese fighting. The regime announced in March 1955 that reconstruction was under way, 50/ but collection of old rails and ties and preliminary construction had been noted for at least 6 months before that time. 51/ Restoration was originally scheduled for completion before the end of 1955, but severe floods delayed necessary bridge and trestle work and by January 1956 only about 104 km of new track were operable. 52/ By April 1956, however, it was announced that the line had reached Lao Kay. A ceremony heralding the completion of the entire line was held on 20 July, 53/ and on 7 August through service to the border was inaugurated with the dispatch of a train from Hanoi. 54/ It was reported on 23 October that as a result of the completion of the line the volume of goods transported from the Haiphong-Hanoi area to Lao Kay during the previous 3 months was nearly equal to the amount transported during all of 1955. 55/ Shipment of apatite from Lao Kay to Haiphong has been especially facilitated. The trip from Hanoi to Lao Kay, with stops, takes about 20 hours.

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Although this line is of importance to the development of the North Vietnamese domestic economy, its primary significance is as a link of the Haiphong-Kunming line, potentially the most expeditious transport link between Yunnan and the industrial areas of China. Reopening of this entire line will permit export of Yunnan's tin, copper, and other strategic minerals through the ocean port of Haiphong and imports of producer goods for development of the mining and industrial economy of Southwest China. The potential of this line is emphasized by the fact that in 1939 it carried more than 565,000 tons of freight and nearly 4.9 million passengers. 56/

The 176-km section of the Kunming-Haiphong line extending from Lao Kay to Pi-se-chai in Yunnan was destroyed during World War II. Reconstruction has been difficult and has involved rebuilding about 250 tunnels and 47 bridges. Reconstruction was originally scheduled to be completed by the end of 1956 but has been delayed and is now scheduled for late 1957. The Chinese and Vietnamese recently signed an agreement providing passage of Chinese civil freight through North Vietnam.

(3) Hanoi - Nam Dinh - Thanh Hoa - Vinh - 17th Parallel Line.

Reconstruction of this line has so far proceeded very slowly. Bridging is an especially difficult problem, as more than 200 bridges had been demolished by the Vietnamese during the war.

The 80-km section of this line from Hanoi to the textile center of Nam Dinh was restored during 1955 and extension of the line 88 km through Ninh Binh to Thanh Hoa had been planned for 1956. This target was not achieved, partly because of bridging difficulties, flooding during the rainy season, delayed allocation of technical personnel because of the delays in completion of the Hanoi - Lao Kay line, and the nonarrival of promised Polish technical and material aid. By early January 1957, rails were laid as far as the Ninh Binh bridge, just north of that town.

On the Ninh Binh - Thanh Hoa section, Vietnamese and Chinese technicians and laborers formerly employed on the Hanoi - Lao Kay line have augmented the local construction force. 57/ In this section, stockpiles of Chinese-supplied rails, sleepers, switching equipment, and machine tools have been reported at various railyards along the right-of-way. 58/

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Bridges remain the chief problem. Only 12 of the 36 required between Nam Dinh and Thanh Hoa have been completed. 59/ Of the three major bridges, the 160-km bridge at Do Len, about 30 km north of Thanh Hoa, was reported completed "in the main" in early May 1957. 60/ The 525-foot (ft) steel-arch road-rail bridge at Ham Rong, just north of Thanh Hoa, has presented especially difficult engineering problems, 61/ and work also has been delayed because of the serious general shortage of structural steel. Work on the third major bridge, the long span just north of Ninh Binh, was delayed in 1956 by flooding during the rainy season. The first pillar of the bridge was completed by pouring reinforced concrete around the base of the pillar under water, apparently the first time concrete had been used under water in North Vietnam. 62/

Little has been said about reconstructing this line south of Thanh Hoa. A 50-km section of line extending from Chu Le (18°12' N - 105°40' E) to Dong Le (17°53' N - 106°01' E) was operable during the period of hostilities, but nearly all bridges were damaged to some extent. In January 1957 it was reported that this section had been extended so that about 135 km, extending from Duc Tho (18 km southwest from Vinh) to Minh Le Station (17°43' N - 106°22' E), were open to traffic. Operations were limited, but regular freight and passenger service was maintained centered on Chu Le Station, and phosphate ores from the La Khe area were transported by rail to the small phosphate plant at Chu Le. 63/ Further expansion of this stretch of line is hindered by major bridging projects. Through operations on this southern line probably will not be possible before 1959. Through service at least as far as Vinh would enable more advantageous use of the ocean port of Ben Thuy.

In less than 2 years the DRV has thus reconstructed the important rail links with Communist China and is presently pushing the one remaining line in the network south to the South Vietnam frontier at the 17th parallel. In carrying out this ambitious reconstruction program, however, the regime has depended heavily on the Chinese Communists for financial, technical, and material assistance. About 2,000 cadres and workers were reported working in bridging units alone in November 1956. Material aid has included locomotives and freight cars, bridging materials, machines, tools, and workshops. The value of Chinese Communist aid in 1955 and 1956 for railroad equipment, machines, and tools alone amounted to about 67 million dong (about \$21 million). 64/ In addition, the Chinese have operated the rail system and supervised rail shop work.

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Faced with increased traffic loads, the railroads are experiencing a shortage of rolling stock. 65/ In early 1955 it was reported that the North Vietnamese possessed 67 locomotives, 1,131 freight cars, and 36 passenger cars, most of which were of 1910-15 vintage. 66/ In December 1955, however, the regime claimed that only 60 locomotives and 700 freight cars were available in North Vietnam. 67/ The Chinese are known to have supplied at least 5 locomotives, 68/

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b. Highway Transport.

The prewar highway system of North Vietnam, comprising about 12,250 km of main and secondary roads, was established to satisfy military needs and to extend French influence inland from Hanoi and Haiphong. From a fairly dense network in the Red River delta area, only a few roads extended into the highlands to link the delta with the more important villages. Because of their limited military and political use, these roads never received extensive improvements, which could have been justified only in terms of more intensive economic development. Little more than half of the network contained all-weather surfacing, and fords and ferries were the rule for stream crossing. During the civil war the road net was heavily damaged, but concurrently both the French and especially the Vietnamese placed a major emphasis on improving tactical communications by reconstructing existing roads and trails and constructing new roads to bypass stretches or road subject to interdiction. The regime constructed several new motorable supply routes to connect points laterally on the centrally focused existing highway network. Noteworthy among the roads built by the regime during the hostilities is the important supply route connecting Dong Dang, on the Chinese border opposite the rail head of P'ing-hsiang, to Thai Nguyen, one of the major North Vietnamese supply centers during the war.

When the Communists took over control of the entire area, only half of the total highway mileage in North Vietnam was usable 70/; much of the damaged portion lay in the Red River delta area or to the south. By intensively using army units and corvee gangs on road reconstruction, two-thirds of the war-damaged highways were reported restored by January 1955. 71/ Reconstruction has largely been concentrated on trunk routes, with some work on strategic secondary routes. Throughout 1955 the highway reconstruction program proceeded apace, even in the face of destructive floods, and by December 1955 it was reported that the length of highways open to traffic was twice that of the summer of 1954. 72/

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Announcements of road restoration during 1954 and 1955 reflected the results of efforts to restore essential roads to at least limited use for motor vehicle traffic. The rehabilitation and construction program in 1956 aimed at further improvement of some of the major roads so that they would become limited all-weather roads. During the latter part of 1956, priority was being given to improvement of roads in the northern provinces (Bac Giang, Thai Nguyen, Bac Kan, and Cao Bang). Old Route Coloniale No. 3 and its feeders, serving a large forest region and the Tinh Tuc (tin) and Cho Dien (zinc) mining areas, have been given particular attention. Numerous ferry crossings have limited the through capacity of the main road system, and during 1956 an intensive program to build both wooden and larger concrete and steel bridges was undertaken in order to eliminate most ferries on primary roads.

By November 1956 it was estimated that road links between Hanoi and Communist China were capable of carrying 60 percent more traffic than in 1955. 73/ By the end of 1956, almost all of the main roads had been reconstructed or improved, and in addition many important bridges had been constructed or restored and some new roads had been built. 74/

The primary highway network being developed in North Vietnam comprises (1) main routes extending from Hanoi to areas in the north and west not served by rail lines and (2) connecting routes furnishing lateral communications and access to the strategic Laotian frontier and to outlying mining developments. In the south, highway transport will be most important until reconstruction of the rail line is completed. The condition of the highway system in general is only fair. Most of the mileage is trafficable only in dry weather, and many of the roads are rutted.

Two trunk routes are of special strategic significance. One is a north-south road linking Nam Quan, on the Chinese Communist border, with the South Vietnam frontier via Lang Son, Bac Minh, Hanoi, Thanh Hoa, and Vinh. The other is an east-west road linking Haiphong with Lai Chau via Hanoi, Hoa Binh, and Son La. These two routes, with their extensions, make possible movement of military forces and supplies to many points along the Laotian - South Vietnamese border. The current status of these routes is given below.

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(1) Nam Quan - Hanoi - Thanh Hoa - Vinh - South
Vietnam Frontier Road.

The Nam Quan-to-Hanoi section of this road following Route Fédérale (RF) No. 4 and No. 1, as the most important highway link with Communist China, was one of the first roads restored to service. This road is hard-topped for about 35 km north of Hanoi, and over this section is a modern two-lane highway. The remainder of the road is in fair condition, although badly rutted in spots. All ferries are operating and are in good condition and capable of handling 3-ton trucks. An alternate route via Thai Nguyen (following RF No. 3 and Route Provinciale (RP) No. 30, No. 32, and No. 33) is reported to be graveled and in good condition. 75/

The section of this road extending south from Hanoi (following RF No. 1) was subsequently repaired and by the end of 1956 was open to traffic to the demarcation line. Construction was under the supervision of the Chinese Communists using forced labor and locally available material. The capacity of through traffic is hampered by the use of numerous ferries. One of the ferries, at Gian Khau, was recently replaced by a bridge inaugurated on 1 May 1957. 76/ The road is suitable for all-weather use, although some spots are badly rutted, but must be constantly maintained; it is tarred for a short distance south of Hanoi. 77/

It was reported in January 1957 that RP No. 3 in Quang Ninh Province, south of Dong Hoi, had been repaired and widened, thus giving the DRV two parallel north-south roads open to traffic in the area immediately north of the demarcation line. 78/ RF No. 7, extending laterally northeast from Phu Dien Chau, on RF No. 1, to the Laotian border, was reported in December 1956 to have been repaired throughout. 79/

(2) Haiphong - Hanoi - Hoa Binh - Son La - Lai
Chau Road.

The section of this road between Haiphong and Hanoi (RF No. 5) is in good condition and is capable of all types of civilian and military traffic.

The road from Hanoi to Lai Chau (following RF No. 6 and RP No. 41) in the past was a poor secondary road but was rehabilitated and improved, so that in December 1955 it was described as a limited all-weather trunk route. 80/ In March 1956 the road was

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reported to be graveled and in good condition as far as Son La, 81/
but west of that point it was good only in dry weather.

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[redacted] In the section east of Son La the road was in good condition in January 1957, bridges of steel and concrete were being built to replace temporary wooden ones, and new and enlarged motorized ferries were being installed capable of handling 3-ton trucks. 83/ The Son La - Thuan Chau section was in a poor state of repair, but some attempt was then being made to maintain it. The section from Thuan Giao into Lai Chau, over mountainous terrain, was metaled but badly rutted. Repairs in that section had been limited, there were no ferries in operation, and the bridge at Ta Pao was the only permanent structure.

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[redacted] In the first quarter of 1956 the route northward from Lai Chau toward Ban Nam Coum, on the Chinese border, was reported to be under major construction, and the formerly unmaintained spur extending south from Tuan Giao to Dien Bien Phu was being restored.

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[redacted] it was expected to accommodate truck traffic by the early summer of 1956. 86/ In January 1957 this road was reported to be in good condition and to be carrying truck traffic. 87/

(3) Hanoi - Tuyen Quang - Ha Giang Road.

This route, following RF No. 2, is graveled between Hanoi and Tuyen Quang and was reported in January 1957 to be in good condition, although the surface was badly rutted in spots. Washouts on three bridges just south of Ha Giang during the rainy season of 1956 have interrupted movement on the last few kilometers of this route.

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[redacted] The DRV motor park appears to be adequate. There have been large imports of trucks, other vehicles, and spare parts under the assistance program of the Sino-Soviet Bloc. 89/ The present truck park probably consists of more than 3,000 vehicles, an increase of more than

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1,000 since the armistice, and it is probable that a larger percentage of trucks is now operational than during the war years. Most of the new trucks seen in use around Hanoi in 1956 have come from Czechoslovakia. 90/ Soviet trucks have been imported, with many reportedly in use in the Hon Gay mines.

Whereas truck transport was a dominant carrier of both long-haul supply and local distribution during the war, its future use apparently will be in a feeder capacity for the rail system and in servicing outlying garrisons, mines, and villages. Pack carriers operating in the high country furnish an important supplement to truck transport.

c. Water Transport.

(1) Inland Waterways.

The principal inland waterway system in North Vietnam is located in the delta area, where the Red River and lesser streams, joined by a system of canals, serve an important function in local cargo transport. Normally these waterways are heavily trafficked by sampans and junks, and screw and paddle-wheel launches regularly serve Hanoi, Haiphong, and Nam Dinh. The total inland waterways network is about 800 km in length during high-water, and somewhat less during low-water, periods. The waterway system suffered from silting and destruction of some dams and locks during the hostilities, 91/ but with Chinese aid limited traffic was moving by the end of 1955. 92/ As a result of considerable attention given to rehabilitation during 1956, 93/ it is likely that the condition of the inland waterway network is approaching its prewar status.

Work is under way on the Red River route to Lao Kay which could permit vessels with up to 7 feet draught to use the waterway at high water. The nature of the streams and the terrain of North Vietnam, however, precludes any other significant increase in the waterway network outside of the delta area.

Shortage of equipment is probably the weakest aspect of inland waterway transportation. Some vessels are being constructed or repaired by the regime. 94/ Because of the lack of both adequate facilities and materials for construction, however, some additions to the inland waterways fleet are being obtained abroad. For example, 20 steel river barges have been ordered from Poland. 95/

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(2) Maritime.

Perhaps the most important asset gained by North Vietnam in the armistice agreement of May 1954 was the ocean port of Haiphong. Control of Haiphong has permitted the regime to have direct foreign trade with countries other than Communist China and has reduced the reliance on overland transportation facilities with that country.

Ships carrying aid from the Soviet Bloc began arriving at Haiphong as early as June 1955. Compared with the prewar period, however, traffic through the port has been rather small, although the volume has been increasing. Facilities at the port had deteriorated because of wartime neglect, and extensive silting in the channel and berthing area has prevented large vessels from docking. With Soviet technical and material assistance, wharf facilities have been markedly improved. 96/ The USSR also has sent 2 dredges to combat the extensive normal silting and to remove the accumulation from the period of hostilities 97/ in order that the 24-foot depth in the approach channel can be restored. Although there have been delays, the work has proceeded so that vessels up to 8,000 gross register tons (GRT) can now call at Haiphong and 10,000-GRT vessels at Cam Pha. Orders have been placed in the USSR and the Netherlands for several more dredges. 98/ Although the unloading capacity of the port has reportedly been doubled since the regime assumed control of the port, 99/ this capacity probably still does not approach the 8,000 tons per day estimated for 1952. 100/

Seaborne trade undoubtedly will increase as the condition of Haiphong and other ports is improved and as the economy is rehabilitated. Exports of coal from Hon Gay and Cam Pha may presently be resuming some of their prewar importance. 101/ Processing of deep-water shipping at the small southern river port of Ben Thuy is being expedited with Soviet assistance by dredging the estuary of the Song Ca so that coastal vessels up to 500 GRT may enter.

With the withdrawal to South Vietnam of the French-owned coastal fleet which had served the Gulf of Tonkin area, North Vietnam was left dependent on small coastal junks and upon Soviet and Chinese Communist vessels supplied on a temporary basis to handle coastal transport requirements with the southern coastal ports and with China. The coastal fleet was considerably augmented in 1956 by gifts of vessels from Bloc countries. Communist China has presented North Vietnam with the 610-GRT cargo ships Hoa Binh (Peace) and Thong Nhat (Unity) 102/ (coastal cargo vessels built for China by

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Poland), two 900-GRT ships, 103/ two 260-GRT ships, 104/ and a number of barges and lighters. The USSR has contributed at least four medium and small tugs 105/ in addition to the dredges and reportedly also has offered a merchant vessel, 106/ the characteristics of which are unknown. Poland has sent 2 tugs and 4 barges. 107/

Although maritime operations are presently embryonic, the DRV is preparing for expansion. A Sea Navigation Company has been established, 108/

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d. Civil Air Transport.

Before 1956, North Vietnam was dependent for civil air transport on the services set up by the French and the Poles to provide air transportation for the International Control Commission (ICC). In December 1955 the DRV established a Civil Aviation Administration 110/ and in January 1956 acquired 5 transport aircraft from Communist China 111/ -- 2 Soviet-built Li-2's, accommodating 14 passengers each, and 3 Czechoslovak-built Aero-45's carrying 3 passengers plus a pilot each. These aircraft are used for civil air transport service and presently also provide internal air transport for the ICC. 112/

Development of civil air transport has proceeded with the assistance of the Sino-Soviet Bloc. 113/ The Chinese Communists have directed the airfield rehabilitation program, and Chinese technicians took over initially as flight and ground operating personnel. It is possible, however, that Chinese-trained North Vietnamese may have partially taken over airfield and airline operations during the past year. 114/ North Vietnamese pilots have been reported in training in China. In April 1956, domestic air service scheduled by the Chinese Communists was extended to Hanoi. 115/

2. Telecommunications.

The total telephone and telegraph network in the DRV presently measures about 14,000 km. Hanoi is linked with about 26 provinces by long-distance telephone lines (36 lines) and with 22 provinces by telegraph also. This provides adequate coverage to serve the internal administrative needs of the government. During 1956 a new trunk telephone switchboard was installed to supplement existing facilities in Hanoi, and a new 300-number telephone exchange was

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installed in Nam Dinh. 116/ There is evidence that the establishment of automatic telephone systems in all major cities is one of the regime's long-range objectives. 117/

No information is available to indicate changes in North Vietnam's 13-station domestic point-to-point radio system. The DRV has increased the effectiveness of international point-to-point radio telecommunications, with the establishment of direct radio telephone or radio telegraph service, or both, with East Germany, Czechoslovakia, France, India, and Hong Kong. 118/

Wireline broadcast reception was increased during 1956, in the interest of achieving more effective coverage and control of information reaching the people, by the installation of 11 additional wire-diffusion centers by Soviet technicians. 119/

Future prospects for improving the telecommunications system of North Vietnam will continue to rest largely on imports of equipment from the Sino-Soviet Bloc. As more North Vietnamese are trained in the fields of telecommunications, reliance on technical assistance from the Soviet Bloc will lessen.

E. Domestic Trade.

The total volume of domestic trade has not been specified, but retail sales (probably by the state only) were reported to be about 53.2 billion dong (\$16 million) in 1956 compared with 23.8 billion dong (\$7 million) in 1955. State purchases of rice and maize were reported to be above plan, and timber purchases were about 15 times greater in 1956 than in 1955. Sales of consumer staples -- cloth, salt, sugar, oils, and paper -- in 1956 were reported to have been about three times greater than in 1955.

Internal trade still is largely in private hands. The State Trading Organization (Mau Dich), however, in accordance with the regime's program of acquiring control over the trade of all basic commodities and industrial materials, has grown tremendously during the past 2 years and presently handles over 70 percent of total wholesale trade. At the end of 1956, there were 10 main branches of the Mau Dich as well as countless shops holding Mau Dich agencies. In 21 provinces or cities, 136 supply and marketing cooperatives had been established. 120/ Private retailers still handle about 70 percent of total retail trade.

The Mau Dich has received continuing criticism, varying in intensity, directed at its sheer inefficiency in distribution, sales,

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and purchases; at its inadequate foresight of the needs of small industry; and at its incapacity to control prices. Regarding prices, the Mau Dich has generally maintained the low price of rice and salt, but prices of many secondary items -- firewood, sugar, cotton textiles, and meat -- have been allowed to spiral. There have been instances reported where the Mau Dich has "profiteered" on imported goods such as kerosine, canned milk, and paper.

The 1957 State Plan calls for commercial gross sales to increase about 17 percent above 1956, with retail sales of a number of main commodities increasing markedly. The Plan calls for sales of salt to increase by 9 percent, sugar and milk by 22 percent, fabrics by 27 percent, paper by 57 percent, kerosine by 28 percent, and soap by 47 percent. Although the Plan encourages increased sales and production, it also calls for restricted consumption in order to reduce imports and allow for increased exports. In addition, under the 1957 Plan, state-owned trade services and cooperatives are to increase their share of total retail sales to about 41 percent.

F. Foreign Trade and Foreign Economic Relations.

Restoration of the economy of North Vietnam depends in large part on the development of foreign trade, presently a government monopoly. Overland transportation links with Communist China have been restored, and the port of Haiphong, the only large port in North Vietnam, is reopened and its capacity is being increased. The country still is heavily dependent upon foreign aid to cover the deficit in its balance-of-payments position and to provide funds and materials for economic rehabilitation and development.

Although announcements of volume and value of trade lack precision, it is clear that trade is expanding tremendously. In 1956, total foreign trade (including aid imports) amounted to slightly less than \$200 million, more than double the level of 1955. 121/ This increase reflects the restoration of export industries but, most important, the increasing implementation of Bloc aid.

The commodity pattern of total trade in 1956 shows that most normal imports showed large increases above 1955. Petroleum imports increased about 20 percent, and imports of iron and steel products (primarily fabrications for aid and other rehabilitation projects) also increased markedly. Cotton yarn, fertilizer, machinery, and medicines were also important imports.

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Imports of rice, the major import in 1955, fell to half the level of 1955. Since mid-1956, there have apparently been no further imports of rice, and during the latter half of the year after the excellent rice harvests in 1956 at least 30,000 tons of rice (about 1 percent of production) were exported to the European Satellites. Rice exports have continued at a relatively high rate during the first half of 1957 probably exceeding 100,000 tons.

Coal is by far the largest export, accounting for about one-third of total exports. Exports of coal in 1956 amounted to nearly 1 million tons compared with 300,000 tons exported in 1955. Cement and maize were also significant exports. Exports of tin in 1956 approached the prewar volume. Many other items were exported but in small volume of relatively little value. These include such items as timber, fruits, other food products, seaweed, and handicrafts (lacquer, embroidery, rattan articles, bamboo products, feathers, shell products, and the like). Exports of all items of this type were reported to generate only about \$450,000 per year. 122/

North Vietnam's foreign trade has been carried on almost entirely with countries of the Sino-Soviet Bloc, China and the USSR together accounting for nearly 80 percent of total trade. Trade with the Free World increased its relative share in 1956 but still amounted to only about 10 percent of total trade. In 1956, coal was the major export to the West, and rice and other foodstuffs were the major imports. Japan was the major Free World trading partner of the DRV. Coal was the major item exported to Japan, and imports consisted of small amounts of cotton textiles and other goods. The DRV is attempting to broaden its trade relations with the West. The regime has trade agreements with France, India, and Indonesia as well as unofficial contracts with several Western European countries, Hong Kong, Japan, and Egypt.

The basis of DRV trade is a series of agreements signed in 1955, 1956, and 1957 with all the Bloc countries except North Korea and Albania. Formalized trade with Communist China extends back as far as 1952. 123/ These agreements cover primarily the barter of North Vietnamese minerals, forest and agricultural products, cement, and some handicrafts for such essentials as raw cotton, cotton textiles, fertilizers, industrial chemicals, metal manufactures and

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machines, medicines, and foodstuffs.

In addition, the DRV has concluded aid, and some technical assistance, agreements with the USSR, Communist China, and all the European Satellites except Bulgaria and Albania. Bulgaria and North Korea have extended aid without formal agreement. The USSR has extended aid totaling about 400 million rubles (\$100 million), and Communist China has granted about 800 million yuan (about \$325 million) in economic and technical aid. Total Satellite aid is relatively small. It is difficult to maintain a clear distinction between those imports effected under aid agreements and those effected under barter agreements which often were signed at the same time. In some cases a formal loan agreement was concluded to finance the materials and equipment for a given project which provided for the DRV to export to the creditor goods of the same value in due course.

It is roughly estimated that during 1956 imports under Soviet aid agreements probably amounted to about \$30 million, that imports under agreements with Communist China amounted to about \$75 million, and that total Satellite aid amounted to about \$25 million. Commercial trade with the Bloc and the Free World in 1956 is estimated at about \$60 million and was probably roughly balanced. Excluding aid imports, trade in 1956 (measured in 1937 prices) had reached a level only slightly more than half the prewar level.

The foreign economic relations of the DRV with the Bloc and Free World countries are outlined below.

1. With the Sino-Soviet Bloc.

a. Communist China.

In July 1955, Communist China agreed "to present without compensation to the Government of the Democratic Republic of Vietnam 800 million Chinese yuan" (\$325 million). This sum is to extend over a 5-year period and is to assist the DRV in rebuilding transportation facilities and in restoring and constructing industrial enterprises. Communist China has also provided foodstuffs and manufactured goods, is providing technicians to supervise and implement rehabilitation and construction work, and is training DRV workers as apprentices both in North Vietnam and in establishments in China. 124/

Chinese aid has been most important in the rapid rehabilitation of the economy of North Vietnam. Communist China has

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been responsible for timely reconstruction of the railroad system, has set up the embryonic DRV civil air organization, has supervised most of the highway and bridge rehabilitation and construction, and has aided in building up the merchant shipping potential. Communist China has assisted in installation of telephone equipment at Hanoi and Nam Dinh and in restoring more than 1,200 km of telephone wirelines. Much of the reconstruction of flood control and irrigation works has been under the guidance of Chinese Communist technicians. The Chinese furnished equipment to restore the Nam Dinh Cotton Mill; have constructed the Thong Nhat "Unity" Match Factory (opened in June 1956); and are assisting in designing a number of construction projects, including 10 large rice mills, a paper mill, and cotton-spinning mill.

Trade protocols between the DRV and Communist China covering general trade and special border trade were signed concurrently with the aid agreement in July 1955 125/ and were extended in 1956 and 1957. 126/ Trade in 1956 (and reported as not including assistance) was about 2-1/2 times the level of 1955. 127/ It is difficult to distinguish between aid and trade imports from Communist China. In addition to imports of equipment, machinery, and materials that probably would be used strictly in aid programs, receipt has been noted of such items as textiles, medicines, paper, rice, and other foodstuffs. In return the DRV has exported to Communist China such items as anthracite coal, chrome ore, tin, timber, and agricultural products. In 1955, about 40 percent of Chinese imports of chromium ore were reported to have come from North Vietnam. In 1956, exports of cement were also an important item going to China, reflecting in part the continuing rehabilitation of the DRV's export industries.

b. USSR.

In July 1955 the USSR concluded a trade agreement with the DRV which has since been extended through 1957. Trade in 1956 was planned to show a fivefold increase above that of 1955, and the 1957 protocols provide for a "notable increase" above 1956. The 1957 protocol calls for the DRV to ship timber, tea, coffee, spices, starch, handicraft articles, and other goods to the USSR in return for Soviet fertilizers, petroleum products, medicines, paper, sugar, and other necessary goods.

Concurrently with the trade agreement, in July 1955 the USSR granted North Vietnam 400 million rubles (\$100 million) as aid over a 2-year period. The agreement promised Soviet assistance in "the reconstruction and building of 25 industrial and public utility

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enterprises" and in checking epidemic diseases and in providing food. 128/ According to a recent North Vietnamese announcement, Soviet aid has amounted to "170,000 tons of rice, 10 million meters of fabrics, 14,000 tons of chemical fertilizers, machines to restore factories and mines, transport and communications equipment, agricultural machines, cotton (essential in reviving production at Nam Dinh), yarn, gasoline, kerosine, medicines, and so on, worth 200 million rubles." 129/ Bui Cong Trung, Chief of the Economic and Financial Bureau of the Premier's Office, recently stated that in addition to the \$100-million grant, the USSR had provided the DRV with a long-term loan of about 30 million rubles (\$7.5 million). He further implied that the 170,000 tons of rice were a gift outside the monetary aid agreements. 130/

With Soviet assistance in tin-processing plant at Tinh Tuc has been restored; a petroleum tank farm has been constructed at Haiphong; numerous power-generating stations have and are being constructed; and two tea-processing plants, a machine tool plant, a fish cannery, and other plants are being constructed. Soviet geologists have been conducting an intensive survey of the area and in 1956 were reported to have covered 50 mining sites. Soviet mining and transport equipment has greatly aided coal production at Quang Yen. Two Soviet dredges have been given the DRV to clear the channels into Haiphong, Cam Pha, and other ports, and several tugs and barges have also been turned over. Soviet medical and public health teams have been active, a Soviet-staffed 150-bed hospital has been opened in Hanoi, and Soviet specialists have assisted in opening the Nam Dinh Waterworks and are working on other similar projects. The USSR has installed 10 complete broadcasting wire relay systems in Hanoi, Haiphong, Nam Dinh, Hong Quang, Thai Nguyen, Lang Son, Thai Binh, Phat Diem, Thanh Hoa, and Vinh. Most of these stations contain 2,000 speakers; the Haiphong station has been described as having a 10-kw transmitter and 40,000 speakers.

Arrivals under the Soviet aid agreement have been slow. The agreement runs out in July 1957, and although the DRV needs further aid, the USSR has not indicated when or how much additional aid would be granted. 131/

c. Czechoslovakia.

Several agreements between the DRV and Czechoslovakia were signed in August 1955. An aid agreement provided that Czechoslovakia would supply scientific and technical experts in addition to "machines and commodities" and that Vietnamese would be trained

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in technical studies in Czechoslovakia. 132/ A commercial agreement called for Czechoslovak deliveries of diesel motors, water pumps, other machines, textiles, and chemicals in exchange for oilseeds, timber, rattan, tea, coffee, and spices. 133/

In January and March 1956, goods exchange and payments protocols were signed for the year 1956. Under these agreements the DRV continued to export those products mentioned in the 1955 agreements, and Czechoslovakia would export products similar to those of 1955. The volume of exchange was to increase 5 to 6 times the small 1955 volume. A triangular agreement with Japan was included in the protocol whereby Japan would import coal from the DRV and Japan would export various items to Czechoslovakia on a switch account basis. 134/

Trade protocols for 1957 were signed in March 1957 and called for only a 20-percent increase in trade volume. DRV exports were expanded to include rice, maize, and manioc, and Czechoslovakia is to export more light manufactures, such as electrical equipment and consumer goods. 135/

Czechoslovak aid to the DRV was summarized recently in a DRV announcement. 136/ It was reported that the Czechoslovaks had given the DRV credits amounting to 35 billion dong (about \$11 million) which had been used to purchase tractors, steam shovels, pumps, lathes, cutting machines, fork-lift trucks, trucks, and consumer goods from Czechoslovakia. They were also furnishing the DRV with 3 lumber mills, 2 of which are now under construction, and, together with Communist China, were furnishing equipment for the Thang Long state-operated cigarette plant. Czechoslovak specialists have assisted in construction activities and in servicing machinery and equipment.

The DRV and Czechoslovakia also have concluded an agreement of technical and scientific cooperation, and Czechoslovak medical personnel are supervising and staffing a new 550-bed hospital now under construction in Haiphong. 137/

d. East Germany.

Although there had been unconfirmed reports of earlier trade agreements between the DRV and East Germany, the initial agreement between the two countries probably was the one signed at the Leipzig Trade Fair in March 1956. According to the terms of the agreement, the DRV was to export timber, peanuts, sesame, coffee, and

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handicraft products in exchange for East German machinery, chemicals, and medicines. 138/

The goods exchange and payments agreement for 1957 was signed in Hanoi in February 1957 and called for the exchange of goods to increase about 2-1/2 times the level of 1956. DRV exports were expanded to include "minerals, farm and forest products, fine art and handicraft articles, and other articles" in exchange for an expanded East German offering of "machinery, cloth, medical equipment, bicycles and accessories, chemical products, electrical equipment, and other products." 139/

An economic aid agreement was signed in January 1956 whereby East Germany was to provide optical equipment, chemicals, machine tools, equipment for chemical works, mining equipment, a polygraph printing plant, and automatic telephone equipment (possibly that installed by the Chinese in Hanoi or Nam Dinh). East Germany also was to survey and develop phosphate deposits 140/; East German technicians have been active at the phosphate deposits near Lao Kay. East Germany also has supplied the DRV with four modern deep-water trawlers for use in connection with the fish cannery being constructed by the USSR. 141/

East Germany in addition has an extensive medical aid program in North Vietnam. 142/ East Germany equipped the 500-bed Phu Doan Hospital in Hanoi (inaugurated in July 1956), is constructing a sizable addition to the Ho Xa Hospital in Hanoi, 143/ has helped staff several other Hanoi hospitals, has helped construct two medical centers in North Central Vietnam as well as an artificial limb plant, and has trained "many" medical workers.

e. Hungary.

Hungary has sent aid supplies to the DRV since 1954, but the first formal aid agreement was not signed until December 1955. Under this agreement, Hungary was to supply agricultural and industrial machinery, transport vehicles, metal articles, medicine and medical instruments, and consumer goods to the DRV during 1955 and 1956. 144/ In addition, Hungarian technicians have been sent to assist in bridge construction and for general engineering assistance.

During the Hungarian uprising in October 1956 the DRV offered monetary aid to Hungary amounting to about 3 billion dong (about \$900,000).

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At the time the aid agreement was signed, a protocol was concluded for trade during 1956. This agreement was extended in May 1957 for the year 1957 and called for the volume of goods exchanged to double the level of 1956. Under the 1957 exchange agreement the DRV will export "agricultural products, such as rice, maize, oil-bearing grains, vegetable essences, handicraft articles, and other goods" to Hungary in exchange for Hungarian machinery, electrical equipment, chemicals, medical supplies and equipment, and other goods. 145/

f. Poland.

Poland furnished aid to the DRV throughout 1955 before formal economic relations were established. In July 1955, Polish aid included trucks, automobiles, rice, medicines, and medical equipment. 146/ In February 1956, that aid was formalized in an agreement covering 1955 and 1956. Under the agreement, Poland was to provide machinery, equipment, tugboats, barges, motor cars, tools, rice, pharmaceuticals, textiles, and other products. 147/ A DRV announcement in April 1957 summarized Polish aid, emphasizing large Polish shipments of cloth. The report stated that the Poles had granted the DRV (probably a credit of) 30 million zlotys (\$7.5 million) and in addition had sent 5,000 tons of rice and goods valued at about 30 million dong (about \$9,000). 148/

Poland also has furnished the DRV with medical supplies valued at more than 1.2 million dong (about \$370,000) and has given a mobile X-ray vehicle. 149/

In February 1957 the DRV signed a long-term loan agreement with Poland whereby Poland will grant a credit for equipping a sugar factory and for powerplant heating equipment which will be repaid through delivery of Vietnamese goods. 150/

At the time the 1956 aid agreement was signed, a goods exchange and payments agreement was signed providing for DRV exports of coal, minerals, agricultural products, forest products, and handicrafts in exchange for Polish machinery, metal articles, pharmaceuticals, chemicals, and "stable" industrial consumer goods. 151/ A further report concerning this trade agreement stated that one of the provisions called for Poland to receive the entire production of the Tinh Tuc tin mine and the Bac Thi zinc mines. 152/ A trade agreement for 1957 was signed in February 1957 and called for "substantial" increases in the volume of exchange of essentially the same commodity classes as in 1956. 153/

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g. Bulgaria.

Bulgaria had sent the DRV such items as rice, clothing, canned meat, and oil before formal trade relations were established in January 1956 with the signing of a trade agreement. This agreement provided for DRV exports of lumber, peanuts, sesame, opium, ores, and almond oil in exchange for Bulgarian electrical goods, chemicals, medicines, and industrial goods for construction purposes. The DRV summarized Bulgarian imports in 1956 as "medical products and raw materials necessary for state-owned enterprises and for small industry and handicrafts." This report added that Bulgaria had also supplied outright aid to the DRV in the form of "cloth, kerosine, shoes, tobacco, and other goods." Bulgaria has been reported to be equipping a hospital in Hanoi.

A goods exchange and payments agreement for 1957 was signed in February 1957 and called for trade between the two countries to increase "considerably" above that of 1956. The DRV is to export mineral and agricultural products, oil-bearing grains, timber, and other products in exchange for Bulgarian electrical equipment, chemicals, pharmaceuticals, textiles, and building materials.

h. Rumania.

The DRV and Rumania signed an economic aid and trade agreement in April 1956 providing for DRV exports of tea, timber, agricultural products, and handicrafts in exchange for Rumanian electrical apparatus and various consumer goods and for Rumanian technical aid and aid goods, such as agricultural equipment, generators, and cloth. 154/

A goods exchange and payments agreement for 1957 was signed in February 1957 calling for DRV export of rice, oil-bearing grains, and handicrafts in exchange for Rumanian cloth, paper, pharmaceuticals, chemicals, and other products. 155/

i. North Korea and Outer Mongolia.

A North Korean delegation was reported visiting in Hanoi and Haiphong in August 1955. 156/ A DRV press release in November 1955 mentioned that North Korea, among other countries, was giving aid to North Vietnam. 157/ Apparently the aid is small, or token, as no formal trade relationship has been established between the two countries.

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Outer Mongolia made a token gesture of friendship in November 1955 by presenting the DRV with 600 animals, 200 tons of meat, 25 tons of butter, and 25 tons of sausage. 158/ In June 1957 the first goods and exchange agreement between the DRV and Mongolian Peoples Republic was signed in Hanoi by a visiting Mongolian trade delegation. 159/

2. With the Free World.

a. France.

The DRV is reimbursing the French for transfer of industrial assets in North Vietnam. Payment for the La Société Française des Charbonnages has been estimated at 5 billion dong (about \$1.5 million), or 1 million tons of coal, payable over a 15-year period; payment for the Haiphong Cement Plant is estimated at 25 billion dong (about \$77 million). 160/ In June 1955 the French were reported to have sold the Hanoi tramway for about 300 million francs (about \$86,000). 161/ This was for the most part abrogated when in September they agreed to pay the DRV 265 million francs (about \$760,000) for damages to equipment removed from public buildings during the evacuation. 162/

In October 1955 the French and the North Vietnamese concluded a trade agreement providing for 500 million francs (about \$1.4 million) in trade each way for 1 year. According to the agreement, 163/ the DRV will deliver coal, raw silk, agricultural products, forest products, and handicraft products in exchange for French machines, spare parts, textiles, vehicles, pharmaceuticals, chemicals, building materials, ironware, and books. A DRV trade delegation visited France from April to July 1956 negotiating contracts under the agreement of October 1955. A further agreement was reached in October 1956 whereby the balances of the agreement of October 1955 would be carried forward and new exchanges of 1 billion francs (about \$2.8 million) each way were to be negotiated. 164/

Trade in 1956 was below the level expected but should have increased during 1957. Ships of the French Messageries Maritimes have arrived roughly about one a month at Haiphong since August 1956. French receipt of DRV coal in 1955 and 1956 was estimated at about 58,000 tons for each year.

b. India.

In September 1956 a DRV delegation to the Industrial Fair at New Delhi concluded an exchange of letters with the government

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of India to facilitate over the next 3 years commerce between state trading organizations and private firms in a wide range of goods. 165/ Indian exports would include various types of machinery, agricultural implements, electrical goods, jute, cotton, woolen and silk textiles, oil, tea, coffee, fish, tobacco, rubber, and leather goods. DRV exports would include livestock, timber, fruits, cement, limestone, and porcelain clay. Trade in many of these items would appear to be wishful thinking. Other provisions of the exchange are that trade representatives may be exchanged, that India will receive most-favored-nation treatment in the DRV, that the DRV will be included in India's soft-currency area, and that payments are to be made in rupees or sterling.

In May 1957 a further trade agreement was signed calling for the DRV to sell 7,000 tons of rice to India during May 1957 in exchange for jute bags, hemp, machinery, and hides. 166/

c. Indonesia.

In early January 1957 a DRV delegation in Djakarta signed a government-to-government trade agreement between Indonesia and the DRV covering a 1-year period. Under this agreement 167/ the DRV is to export to Indonesia rice, sea products, phosphate, cement, coal, and other goods, whereas Indonesia is to export to the DRV rubber, sugar, coconut oil, pepper, quinine, tin, and unspecified manufactured goods. All payments are to be effected in transferable pounds sterling. As in the Indian agreement, the financial scope is not mentioned, nor the quantities of the individual commodities involved. According to an agreement signed on 20 July 1957, Indonesia will purchase 20,000 tons of rice from the DRV. In the case of tin (which is produced in the DRV) and rubber (which the DRV has no appreciable capacity for processing), imports from Indonesia possibly will be reexported to meet commitments under various Satellite exchange agreements.

Neither the Indonesian nor the Indian agreement has been given much publicity, implying that the trade involved is to be relatively small. It seems likely that it will be some time before a pattern of trade develops between the DRV and India and Indonesia.

d. Japan.

Trade with Japan has steadily increased, and Japan is by far the largest Free World trading partner of the DRV. Japan is eagerly attempting to reestablish trade on the Asian mainland, and private Japanese firms were negotiating with the DRV government in 1955. An initial trade agreement was reached in May 1956 between the

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DRV and two Japanese private trading groups, the Japanese International Trade Promotion Association and the Japan-Vietnam Trade Association. This accord called for DRV exports of coal, manganese, chrome, bauxite, antimony, timber, and other products in exchange for Japanese exports of iron and nonferrous metals, construction machinery and parts, railroad equipment, sampans and fishing vessels, soft coal, and coke. The Japanese originally had aimed at a level of trade of about 1.5 million pounds sterling (\$4.2 million) each way, but by September 1956 it had reached only about 0.4 million pounds sterling (about \$1.1 million). A protocol signed in September by a Japanese delegation to Hanoi therefore specified that exports up to the end of 1956 would include 100,000 tons of coal, 15,000 tons of apatite, and 30,000 tons of rice and that imports up to March 1957 would include 1 million to 3 million meters of cotton textiles. 168/ Japanese ships have regularly called at Cam Pha to load coal, and imports of DRV coal during 1956 have been reported to be about 380,000 tons (compared with prewar imports of about 600,000 tons). An unspecified part of this tonnage, however, is DRV coal technically exported to France but which was in turn reexported by France to Japan. Since the summer of 1956, when phosphates from Lao Kay were made available for export by the opening of the Lao Kay - Haiphong railroad, Japanese ships have regularly called at Haiphong to load phosphate.

In January 1957 a Japanese delegation in Hanoi representing about 11 major companies signed a supplementary accord to the May 1956 trade agreement "extending the validity of that agreement and increasing the volume of trade." Although neither the absolute level of trade nor the time period called for in the accord has been announced, it was unofficially reported in Tokyo that it called for a level of about \$12.6 million each way. 169/ Commodities to be traded included DRV exports of coal, apatite, maize, rice, and medicinal herbs for Japanese exports of metals, chemicals, transportation accessories, cotton thread, chemical fertilizers, and office equipment. 170/

e. Hong Kong.

Hong Kong imported about 200,000 tons of coal from North Vietnam in 1956. Traditionally, Hong Kong's coal needs were supplied in large measure by imports from Japan. In January 1955 the Hong Kong government handed the coal trade over to local merchants. 171/ This opened the door for imports of Vietnamese anthracite by which the Hong Kong merchants could recover capital previously accumulated in Vietnam. After a slow start in 1955, imports picked up in 1956 and largely have displaced Japanese coal.

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Other than coal, trade is small, consisting primarily of such things as Chinese medicines, traded outside the state trading mechanism. Almost all transport is by motor junk.

f. South Vietnam and Laos.

Following the cession of Haiphong to North Vietnam, all legal trade with South Vietnam ceased. An undetermined but relatively small amount of smuggling has persisted in the exchange of foodstuffs, native medicines, native products, and probably other products. An ambiguous statement made by the DRV in August 1955 in connection with a propaganda campaign calling for the establishment of normal relations with South Vietnam claimed that the quantity of goods exchanged "during the early half of 1955 alone was 1.5 times that of 1954." 172/ More recently there has been little mention of either the normalization issue or the amount of trade going on. There have been relatively few instances of large-scale smuggling reported, and these have generally been one-shot affairs. Localized clandestine trade will no doubt continue, but because of the political situation, the prospects for increased trade between these neighboring and formerly economic inter-dependent areas are dim.

g. Remainder of the Free World.

Although there were several unofficial reports that Egypt and the DRV had earlier concluded a trade agreement, it was not until June 1957, after the DRV had attempted to negotiate a trade agreement with an Egyptian trade mission visiting the Far East, that an agreement was concluded in Hanoi with a private Egyptian firm for the exchange of Egyptian cotton, cotton yarn, and cloth for DRV rice, tea, linseed oil, coal, cement, and timber. The trade probably will be limited principally to exchanges of cotton and coal.

Premier Pham Van Dong in a speech before the National Assembly in January 1957 reported that the DRV had trade contacts with the business communities of West Germany, Switzerland, Austria, Belgium, Luxembourg, Sweden, Holland, Italy, Denmark, and Greece. Italy and Belgium imported small amounts of DRV coal in 1956, possibly through resale arrangements by European Satellites. The trade relationships with the other countries of the Free World are not known.

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APPENDIX A

CHRONOLOGY OF EVENTS
LEADING UP TO THE COMMUNIST CONTROL OF NORTH VIETNAM
AND OF SUBSEQUENT ECONOMIC DEVELOPMENTS

Phase I

Negotiations and Developments to the Outbreak of Hostilities 173/
(March 1945 - May 1957)

1945

9 March	The Japanese seized and disarmed most French garrisons in Indochina.
15 March	The Viet Minh called for uprisings against the Japanese.
March-April	A government was formed under Bao Dai as puppet of the Japanese. Annam was renamed Vietnam.
14-15 August	Cochin-China was joined with Vietnam by the Japanese. Japan surrendered.
16 August	The Peoples National Liberation Committee was formed with Ho Chi Minh as president and with complete independence as its aim.
24 August	Abdication of Bao Dai in favor of the DRV.
2 September	Vietnam declaration of independence.
Mid-September	Chinese occupied North Vietnam and northern Laos.
12 October	The provisional government of Pathet Lao was established.

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1945 (Continued)

25 October The French began an offensive against the Viet Minh in South Vietnam.

1946

6 January Elections to the National Assembly of the DRV; the Viet Minh won 230 of 300 seats.

28 February Sino-French agreement signed in Chungking -- Chinese troops to withdraw by 31 March in return for economic concessions.

2 March First session of the Vietnamese National Assembly, which elected the government and Ho as President on 3 March.

6 March French-DRV agreement signed by Sainteny and Ho Chi Minh. The DRV recognized as an independent state within the French Union.

18 March French troops entered Hanoi with forces from the South.

27 May The Vietnam National United Front (Lien Viet) established.

6 July - 12 September Fontainebleau Conference with Ho Chi Minh heading the DRV delegation.

14 September Ho-Moutet modus vivendi on economic and cultural affairs was signed. The preliminary agreement of 6 March was reaffirmed.

28 October Second session of the Vietnam National Assembly was convened.

8 November DRV constitution adopted.

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1946 (Continued)

20-22 November	Viet Minh - French clashes at Lang Son and Haiphong, which were occupied by the French.
23 November	The French bombarded Haiphong.
17-19 December	Fighting began in Hanoi, spreading through much of Vietnam.
20 December	Ho Chi Minh called on the Vietnamese people to expel the French.

1947

January	French troops took Hanoi after a battle.
1 April	French mission to Ho Chi Minh failed to establish peace because of demands for Vietnamese disarmament and freedom of French troop movements.

Phase II

Deepening Conflict and Formation of a Rival Vietnam
(May 1947 - December 1949)

8 October	The French established a rival government in South Vietnam.
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1948

27 May	France recognized the new Vietnamese government, recently reorganized.
6 June	The provisional government of Vietnam was proclaimed.
22 November	The DRV applied unsuccessfully for UN membership.

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1949

- 21 May France approved accession of Cochinchina to Vietnam.
- 14 June Bao Dai proclaimed himself Emperor. The people were later to choose between monarchy and republic.
- 7 August Pham Van Dong was made Vice-President of the DRV, and its delegation was withdrawn from France.
- 16 August The French began another offensive in Tonkin.
- 16 December Chinese Communist troops reached Vietnam's borders.

Phase III

Spreading International Dimensions of the Conflict
(January 1950 - December 1952)

1950

- January The Viet Minh began an offensive in the area near the Chinese border.
- 19 January The Peoples Republic of China recognized the DRV.
- 31 January The USSR recognized the DRV. France protested, but the protest was rejected.
- 3 February Poland, North Korea, Rumania, and Hungary recognized the DRV.
- 7 February The US and the UK recognized the States of Vietnam (South), Laos, and Cambodia.

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1950 (Continued)

8 May	US arms aid for the State of Vietnam was announced.
29 May	The French announced that all the Viet Minh forces had been cleared from the Red River delta.
30 May	A US economic mission arrived in Saigon.
15 July	A US military mission arrived in Indochina.
27 July	The French began an offensive in South Vietnam.
10 August	US war materials began arriving in Indochina.
13 August	Formation of the "Pathet Lao United Front of Free Peoples" and a "National Resistance Government."
18-20 September	Battles fought near the Chinese frontier; the French abandoned several posts.
5-9 October	3,500 French troops were wiped out in ambush; the Lang Son - Cao Bang line was crumbling.
October	The French abandoned all posts along the Chinese border.
3 November	The French abandoned Lao Kay. They held only two posts in the extreme northeast of Vietnam.
27 November	A new French offensive in South Vietnam.
23 December	US military aid conventions with South Vietnam, Cambodia, and Laos.

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1950 (Continued)

December 1950 - January 1951 A Viet Minh attack on the Red River delta was checked.

1951

11-19 February National Congress of the DRV in session -- adopted a manifesto, program, and Party constitution. Also it elected a Central Executive Committee of the new Party.

3 March The Vietnam Lao Dong (Workers) Party was founded. It became part of the new revolutionary front; the Viet Minh and the former Lien Viet were merged into a new Lien Viet.

11 March Organization formed to ally united fronts of the DRV, Cambodia, and Pathet Lao.

7 April Ho Chi Minh called for the Viet Minh (actually the Lien Viet) to end conventional warfare and return to guerrilla tactics.

7-9 September US agreements on economic matters and use of military aid with South Vietnam, Cambodia, and Laos.

November The French began an offensive southwest of Hanoi with initial successes.

25 December Communists checked the French offensive.

1952

19 September The USSR vetoed France's proposal of UN membership for the Associated States and the anti-Communist bloc prevented membership of the DRV.

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1952 (Continued)

21 September	Communist attack near Saigon -- first action in this area for a long time.
15 October	The French evacuated 6 posts northwest of Hanoi.
16 October	Communist offensive in Tonkin. The French were driven out of the Black River region.
30 October	The French began an offensive and took Phutho. The de Lattre defense line was formed not far from the Chinese border.
November	A French offensive in the delta area.
29 December	The French retook Na-Sam in the northwest.

Phase IV

International Crisis and the Geneva Agreements
(January 1953 - November 1954)

1953

25 January	Local elections held in the DRV resulted in victories for the government except in Hanoi.
13 April	The Communists invaded Sam-Neua province in northeastern Laos in cooperation with the "Lao Peoples Liberation Army." US planes and pilots were soon engaged in supplying opposing forces.
12 May	Communist forces began to retreat from Laos.

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1953 (Continued)

27 July Korean armistice agreement was signed.

9-10 August The French evacuated Na-Sam.

August-September French military offensive in lower Tonkin. Another phase of the offensive began in mid-October but bogged down in November.

20 November French troops took Dien Bien Phu.

1 December Third session of the DRV National Assembly passed a land reform law drafted by the Workers Party.

11 December The Communists took Lai Chau, capital of the westernmost province of Tonkin, whence they moved toward Dien Bien Phu.

21-26 December Communist offensive into Laos cut Indochina in two when it captured Thakhek on the Mekong River.

1954

January-February Communist Vietnamese and Pathet Lao forces expanded their occupation of areas in Laos.

18 February Big Four agreed at Berlin upon a Geneva Conference on Korea and Indochina to commence 26 April.

28 March Communist Bloc created \$500-million military and economic aid pool to reenforce the DRV.

26 April The Geneva Conference opened.

28 April Joint French-Vietnamese declaration that Vietnam was totally independent.

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1954 (Continued)

8 May	Dien Bien Phu fell to the Vietnam Peoples Army.
4 June	A treaty of independence and association was signed by representatives of France and Vietnam.
15 June	Ngo Dinh Diem became Prime Minister of Vietnam.
29 June	The French began evacuation of the southern part of the Red River delta.
4 July	The French began talks with the Communists at Trunggia on details of a truce and exchange of prisoners.
7 July	DRV-Chinese trade agreement signed.
14 July	Exchange of prisoners began.
21 July	Agreements reached were signed at Geneva.
26 July	Pham Van Dong discussed medical aid with Soviet officials in Moscow.
9 October	The Communists occupied Hanoi.
20 November	DRV-Chinese agreement on posts and telecommunications signed.

Phase V

Recent Developments
(December 1954 - to date)

December	Reconstruction of Hanoi - Nam Quan rail line initiated.
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1955

March	Hanoi - Nam Quan rail line restored to service.
March	Reconstruction of Hanoi - Lao Kay rail line initiated.
April	Pham Van Dong diplomatic mission to India and Burma and to Bandung Conference.
13 May	The French evacuated Haiphong.
June	First ships with Bloc aid arrive Haiphong.
June-August	Ho Chi Minh's mission to Peking and Moscow.
July	DRV-Chinese aid and trade agreement signed in Peking.
July	DRV-Soviet aid and trade agreement signed in Moscow.
August	North Korean delegation visited Hanoi in Haiphong.
August	Through passenger service inaugurated on Hanoi - Nam Quan rail line.
10 August	DRV-Czechoslovak aid and trade agreement signed.
19 September	France agreed to pay indemnity to the DRV for war damages.
October	National Planning Board established.
October	French-DRV trade agreement signed.
November	Outer Mongolia presented token aid of foodstuffs to the DRV.

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1955 (Continued)

November Haiphong Cement Plan resumed operations after being idle since March 1955.

November State Statistical Service established.

December President Ho Chi Minh announced 1956 State Plan.

16 December DRV-Hungarian aid and trade agreement signed.

1956

10 January DRV-Bulgarian aid and trade agreement signed.

27 January DRV-Czechoslovak 1956 goods and payments agreement signed.

January DRV - East German aid agreement signed.

7 February DRV-Polish 1955-56 aid agreement and 1956 trade protocol signed.

March DRV-Czechoslovak supplementary trade protocol signed in Prague.

March Initial DRV - East German trade agreement signed in Leipzig.

March Co Dinh chrome mine reopened.

April Hanoi-Canton civil air route inaugurated.

6 April Haiphong Phosphate Plant resumed full production.

7 April DRV-Rumanian aid and trade agreement signed.

May DRV and Japanese Trade Associations signed trade agreement.

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1956 (Continued)

5 May DRV-Soviet trade agreement signed.

26 July DRV-Chinese 1956 aid and trade agreement signed in Hanoi.

7 August Hanoi - Lao Kay rail line opened to traffic.

25 October Supplementary French-DRV trade protocols signed.

October Soviet-built Phu Tho Tea Plant turned over to the DRV.

October Soviet-rebuilt Tinh Tuc Tin Processing Plant inaugurated.

1957

2 January Premier Pham Van Dong reported to Sixth Session of the DRV National Assembly on the state of the nation.

4 January Track laying completed as far as Ninh Binh bridge on Hanoi - Thanh Hoa rail line.

8 January DRV-Indonesian trade agreement signed in Djakarta.

28 January Supplementary DRV-Japanese trade accords signed.

7 February DRV-Polish long-term loan agreement and 1957 trade protocols signed.

14 February DRV-Bulgarian 1957 trade protocols signed in Hanoi.

20 February DRV-Rumanian 1957 trade protocols signed in Hanoi.

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1957 (Continued)

25 February	DRV - East German 1957 trade protocols signed in Hanoi.
13 March	DRV-Czechoslovak 1957 trade protocols signed in Hanoi.
30 March	DRV-Soviet 1957 trade protocols signed in Hanoi.
30 April	Council of Ministers announced the 1957 State Plan.
April	DRV-Soviet 1957 trade protocol signed.
3 May	Indian-DRV trade protocol signed.
7 May	DRV-Hungarian 1957 trade protocols signed in Hanoi.
31 May	DRV and private Egyptian firm signed trade agreement.

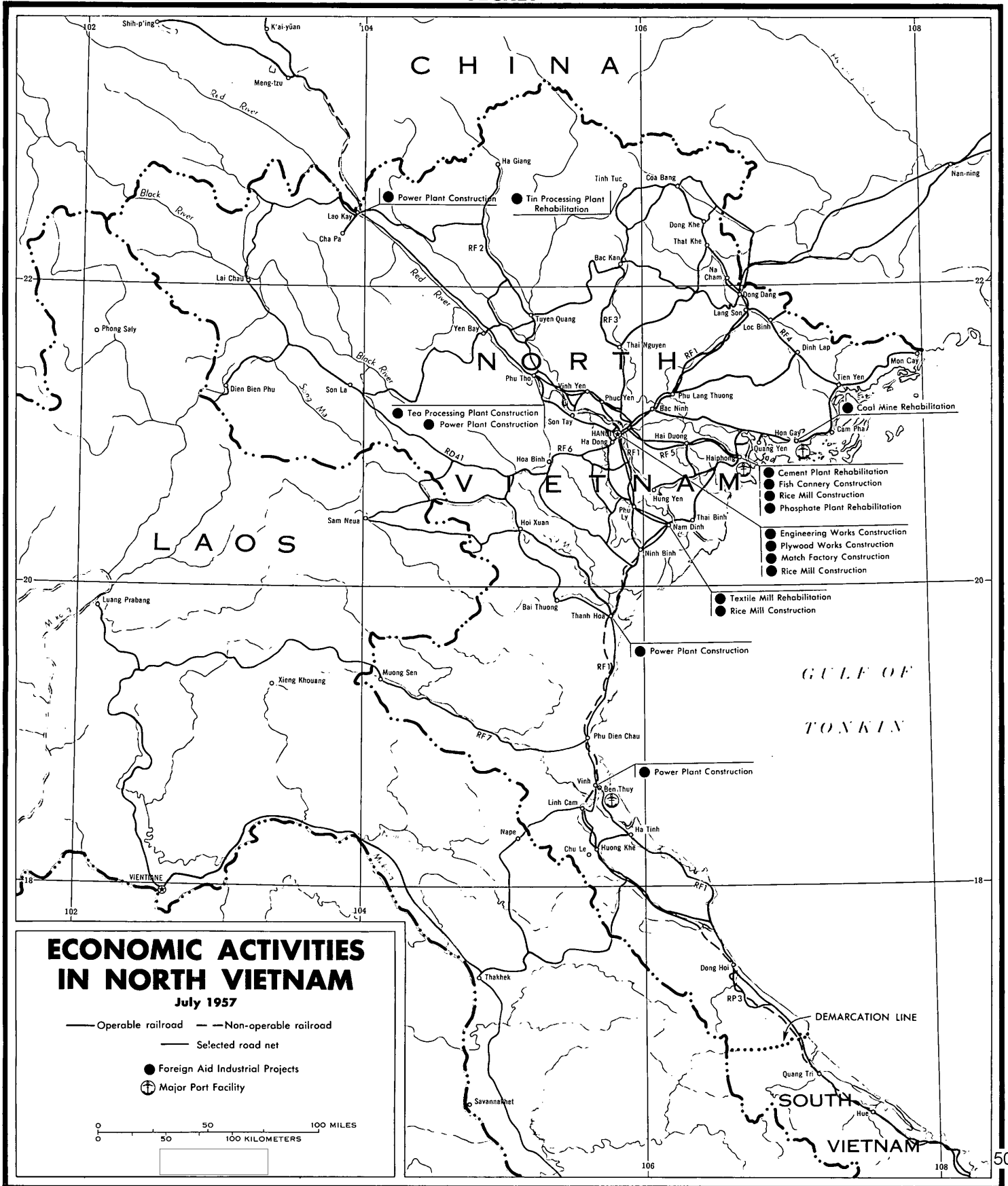
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