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**ECONOMIC DEVELOPMENTS AND PROSPECTS
IN NORTH VIETNAM**



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Office of Research and Reports

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FOREWORD

This report reviews the economic development in North Vietnam achieved by the end of 1957, discusses the present economic situation and the principal economic problems facing the regime, indicates the goals of the Three Year Plan (1958-60), and estimates probable economic developments. Also included are estimates of agricultural production, agricultural self-sufficiency, the extent of agricultural socialization, the level of industrial production, and the state of the transportation system. In addition, the report discusses the foreign economic relations of North Vietnam with the Sino-Soviet Bloc and the Free World and the extent and nature of economic aid to North Vietnam.

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ECONOMIC DEVELOPMENTS AND PROSPECTS IN NORTH VIETNAM*

Summary and Conclusions

North Vietnam,** having gone through a period of reconstruction, has launched an ambitious Three Year Plan (1958-60) to transform a backward agricultural economy into an advanced agricultural and industrial state. Aid from the Sino-Soviet Bloc has been the principal factor in establishing the basis for economic growth and self-sufficiency, and continued foreign support of present programs is essential to the development of the economy. These programs should enable North Vietnam to achieve some degree of economic self-sufficiency by the end of 1960, but continued growth will be slow and will require guaranteed deliveries of raw materials and equipment from the Bloc as well as markets for the limited range of North Vietnamese exports. Communist China inevitably will incorporate North Vietnam more and more into its orbit of economic influence, so that eventually North Vietnam will become a satellite without any clear national economic identity.

The principal goal of the Three Year Plan of North Vietnam is the development of agriculture to provide increased quantities of food and raw materials. Although production of food by the end of 1956 had increased to prewar levels, such production during 1958 remained at about the level of 1957, while the population continued to grow. Thus the minimum requirements for feeding the population and developing a self-supporting economy require a breakthrough in production of food. The Communist regime feels that it is essential to collectivize agriculture in order to increase production and, at the same time, plans to place greater emphasis on irrigation, the use of chemical fertilizers, and the improvement of agricultural machinery and techniques. The Vietnamese had proceeded cautiously in socialization, but quickened the pace in the fall of 1957. By the end of 1958, about 60 percent of the peasant households were enrolled in work-exchange or cooperative programs, although most of these units would operate only on a seasonal basis and represent only an elementary state in the transition to socialism. By

* The estimates and conclusions contained in this report represent the best judgment of this Office as of 1 April 1959.

** The term North Vietnam refers to that area of the former state of Vietnam north of the 17th Parallel. The governmental apparatus of North Vietnam, under control of the Communist Party of North Vietnam (Dang Lao Dong -- Workers' Party), is known as the Democratic Republic of Vietnam, or DRV.

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the end of 1960, all peasants are to be organized into cooperatives of an elementary form, and some of the cooperatives are to be of an advanced form. Such a goal will require very rapid progress in 1959 and may cause disaffection to crystallize in rural areas, but the government appears determined to exert continued pressure on the peasants.

Substantial material, financial, and technical assistance from the Sino-Soviet Bloc has permitted the restoration and, in some cases, the re-equipment or enlargement of nearly all the important existing industrial installations. New plants have been constructed, and the basis for further industrial development is being laid in the construction of power and building material plants and in surveys of mineral resources. Industrial goals reflect plans for the close relationship of industry and agriculture. The immediate policy is to build up light industry to produce consumer goods for domestic consumption, to supply agricultural and industrial needs, and to provide goods for export. In the future, more emphasis is to be accorded heavy industry, but development will follow the general aims for industry. The emphasis on mining will continue, and the construction of an iron and steel plant and of several fertilizer plants is to start by 1960.

The transportation system of North Vietnam has been restored, and the volume of traffic handled is equal to prewar levels. Reconstruction of the Hanoi-Saigon rail line has been extended to Thanh Hoa and is being continued to Vinh, the major economic center of Interzone IV.* The Hanoi-Lao Kay and Hanoi-Nam Quan rail lines have carried an increasing volume of Chinese Communist goods in transit between the K'un-ming area and the main Chinese railroad network in South China.

North Vietnam still is confronted with a chronic deficit in its balance-of-payments 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 long-run prospects for any great volume of exports are unfavorable.

* For the boundaries of this economic region, see the map inside back cover.

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I. Economic Developments.

A. Period of Reconstruction (1955-57).

The year 1957 marked the end of a 3-year period of economic rehabilitation which was aimed at establishing the basis for future programs for the economic development of North Vietnam. During this period the aims were to restore production to prewar levels, to rebuild and expand industry, to sponsor technical training, and to promote the socialization of the economy -- a formidable program indeed for so young and inexperienced a regime! When the Communists assumed control over all of North Vietnam, they found that much of the industrial plant had been damaged to some extent during the hostilities, that most of the French technicians and supervisors had been evacuated, and that a large proportion of the native skilled labor had fled to South Vietnam. In the rural areas, large tracts of cultivable land were devastated, and flood control and irrigation works had deteriorated badly.

Economic recovery in North Vietnam progressed very slowly at first. In 1954 and 1955, there occurred unprecedented natural calamities, including a 2-year drought, severe floods, and a crippling typhoon. Undoubtedly distress was acute in many rural areas. The regime was handicapped not only by a general lack of administrative, planning, and technical experience but also by serious and prolonged delays in obtaining aid from the Sino-Soviet Bloc to relieve the shortages of food, equipment, and technicians. By the end of 1955, substantial progress had been made only in rebuilding roads and railroads and in rehabilitating irrigation and flood control systems, fields in which Chinese Communist aid was most readily available.

By early 1956, however, North Vietnam launched a program of planned economic rehabilitation, and advisors and technicians began to arrive from the Sino-Soviet Bloc. Financial, material, and technical assistance from the Bloc, especially from Communist China and the USSR, has been the principal factor responsible for such successes as have been achieved under the program.* Although the program fell short of the desired goals, its accomplishments have been significant.

Perhaps the greatest success of this period was the production of more food in 1956 than in 1939,** thus permitting the exportation

* For further details, see II, p. 9, below.

** See Table 2, Appendix A, p. 15, below.

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of small amounts of rice. The regime emphasized flood control and irrigation programs, and, by the end of 1957, claimed to have re-stored the old irrigation systems, to have launched a number of new irrigation projects, and to have expanded the irrigated area beyond that of the prewar period. On the negative side, efforts of the government in land reform and socialization apparently affected agricultural growth adversely. These adverse effects were noted especially during 1957, when, as a result of the program for "correction of mistakes in land reform" and local resistance to organization of the peasants, agricultural production fell below that of 1956.

The North Vietnamese regime also initiated programs to increase production of industrial crops -- for example, cotton, jute, sugar cane, peanuts, coffee, and tea -- to provide raw materials for native industries and products for export, but these programs achieved only slight success by the end of 1957.

The North Vietnamese authorities proceeded slowly in socialization of agriculture, reflecting in part a decision to follow the precepts advocated by Communist China and in part a respect for the militant independence of the peasants and local opposition. By the end of 1957, less than 1 percent of the peasant families were members of socialized organizations, but a measure of control had been extended over agricultural production through state-operated supply and marketing cooperatives and credit cooperatives. By the end of 1957 the state controlled about 61 percent of the wholesale trade, 36 percent of the retail trade, and all banking.

By the end of 1957 the internal communications and transport systems of North Vietnam had been restored and were handling traffic at prewar levels. Assistance from the Sino-Soviet Bloc helped to develop the telecommunications system to a point where it was capable of serving the administrative needs of the government. Substantial technical and material aid from Communist China and other countries of the Sino-Soviet Bloc permitted the rehabilitation of the rail, highway, and water transport systems. Although not highly developed, the transport system could support military and civil demands.

The rehabilitation and expansion of North Vietnamese industry were undertaken with substantial material, financial, and technical aid from the Sino-Soviet Bloc. By the end of 1957, production of most of the principal industries was still far below prewar levels,* but nearly all of the important prewar installations had been restored, and in some cases re-equipped or enlarged. New

* See Table 3, Appendix A, p. 17, below.

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plants were constructed, primarily to process or produce consumer goods. The basis for further industrial development was laid in the construction of electric power and building materials plants and in surveys of mineral resources. In the large industrial installations operated by the state, productive efforts were hampered by inept management and labor unrest, which apparently were the main reasons for the substantial underfulfillment of goals for 1957.

Production of the handicraft industries, which accounted for nearly 60 percent of total industrial production in North Vietnam in 1957, generally exceeded prewar levels.* Although socialization of handicrafts and other private industries proceeded slowly, the government was able to exert strong control over production by means of taxation and of control of the markets for raw materials and finished products. In 1957, more than one-quarter of private industrial production was handled through government contracts, with the state furnishing raw materials and buying the finished products.

B. Three Year Plan (1958-60).

Having completed its program of economic recovery, North Vietnam launched its first Three Year Plan for economic development (1958-60) aimed at transforming the backward agricultural economy into an advanced agricultural and industrial state along socialist lines. Unlike other Communist governments, the regime recognized at the outset that agriculture must be the basis for developing the economy and that production of sufficient food and consumer goods would require the expansion of agriculture and small industry. Thus the primary aim of the program is to increase production of food crops (especially rice, corn, potatoes, manioc, and livestock), industrial crops, and forest products. Although production of food had regained the prewar levels by the end of 1956, production remained relatively constant in 1957 and 1958, whereas the population continued to increase.** Thus sustained economic growth requires a sharp increase in production of food.

The Communist regime in North Vietnam feels that the expansion of production requires the collectivization of agriculture, greater emphasis on irrigation, the use of chemical fertilizers, and the improvement of agricultural machinery and techniques. Plans and policies essentially are based on those of Communist China, and the regime, with Chinese Communist technical assistance is carrying out an ambitious

* See Table 4, Appendix A, p. 18, below.

** See Tables 1 and 2, Appendix A, p. 15 and 16, respectively, below.

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program of irrigation. Large projects, such as the Bac-Hung-Hai system (adjacent to Hanoi), and some of medium size are being constructed by the central government, whereas many smaller systems are being built by local governments. The Vietnamese estimate that the nationwide program will be completed by 1960 and that more than 42 percent of the cultivated area then can be double-cropped. Much of the industrial development is directed toward the support of agriculture -- for example, agricultural processing plants, implement plants, and fertilizer plants.

The Communist program for North Vietnam emphasizes collectivization as the means of educating the peasants in the use of new techniques, materials, seeds, fertilizers, insecticides, and the like and of organizing the peasants for a greater exploitation of their labor. The Vietnamese regime proceeded cautiously in its program for socialization up to 1957 but launched a move in the fall of that year to quicken the pace. The regime had found difficulty in educating the peasants for collective work, partly because of a lack of experienced cadres to exercise Party discipline at the local level and partly because of inadequate communication between the central and the local units of the government. To help alleviate this problem, personnel from the central ministries were moved into rural positions, and instruction was given to Party workers in organizing work-exchange groups and cooperatives. By the end of 1958, about 60 percent of the peasant households had been enrolled in work-exchange or cooperative programs, although most of these units operate only on a seasonal basis and represent only an elementary stage in the transition to socialism.

Following the Chinese Communist pattern, the North Vietnamese profess belief in a gradual institutional development of the socialization of agriculture -- that is, in proceeding through work-exchange groups to primary and advanced cooperatives. By early 1959 the socialization of agriculture in North Vietnam had reached approximately the stage achieved in Communist China in 1952. The Three Year Plan, however, provides that all the peasants in North Vietnam are to be organized into cooperatives of at least an elementary form, some of them into cooperatives of an advanced form. In 1960, North Vietnam is scheduled to reach the stage of socialization achieved in Communist China during the early part of 1956, a goal which would require very rapid socialization in 1959. Considering the status of the Party in the countryside and the traditional independence of the peasants, such a quickening of the pace involves the danger of disaffection in rural areas and at least passive resistance. Nevertheless, the government appears determined to apply pressure on the peasants, mainly through state control of domestic commerce. Concurrent with the drive for agricultural socialization has been an expansion in the number of supply marketing cooperatives and credit cooperatives. By 1960, government leaders expect to control nearly

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all of the wholesale trade and some 58 percent of the retail trade by means of state trade and the supply and marketing cooperatives and most of the private commerce by means of state-private organizations. By the end of 1958, nearly 45 percent of the retail trade and nearly 75 percent of the wholesale trade were under state control.

Under the Three Year Plan the 16 state-operated farms, most of which are located on plantation lands and grow industrial crops, are to be used also as experimental food farms. The number of army farms, established during 1958, generally on reclaimed land, is to be expanded, and these are to be used as examples in collective and planned production.

The socialization of agriculture in North Vietnam is patterned after that of Communist China and is directed toward eventual communization. An editorial on the collectivization of agriculture under the Three Year Plan, which appeared in the Party theoretical journal, declared:

Collectivized rural areas will create even better conditions for the surging development of agriculture. They will become not only a stable support for the expansion of industry and other economic sectors and for the socialist transformation of capitalist trade and industry, but will also open the way for the peasants -- under the leadership of the Party and with the aid of state-operated industry -- to develop their great force in the building of regional industries, bring about a mutual assistance between and parallel development of agriculture and industry and a further strengthening of the worker-peasant alliance. 1/*

Another article on industrial and agricultural relations which appeared in the same journal stated:

... After being cooperativized, agriculture will become a vast source of capital for establishment of socialism. An increase in agricultural production will enable peasants to improve their living standards and accumulate capital for industrial development. After achieving a high degree of agricultural cooperativization, peasants will be better able to contribute to building industry, and by so doing they will gradually eliminate the contradictions between rural and cities and between peasants and workers. 2/

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Advanced cooperativization probably will not be achieved for at least 3 or 4 years, and it appears that the North Vietnamese are not planning to move into joint agricultural-industrial development until this state has been consolidated. Thus the establishment of commune-type socio-economic units, although a likely final objective, is still a number of years away.

The development of industry in North Vietnam reflects the aim of closely relating agriculture and industry. The immediate objective is to expand production of consumer goods by light industry sufficiently to meet all domestic demands and to provide items for export. Small industry is being encouraged, and some larger mechanized and semimechanized plants are being built. A concerted effort is being made to reorganize handicrafts and other private industry along socialist lines. At the end of 1957, only 20 percent of the handicraftsmen belonged to cooperatives, collective organizations, or other producers' groups. The Three Year Plan calls for the organization of 70 percent of the handicraftsmen into such groups by the end of 1960. During 1959, most of the small private enterprises are to be reorganized as joint state-private plants. Government control over the private sector is already very strong through control of supply and distribution, banking, and taxation. According to the Three Year Plan, production by large industry will account for about 45 percent of all industrial production in 1960, compared with about 25 percent in 1957, reflecting the increased production of new and renovated large installations operated by the state. Poor management and labor problems may continue to hamper the regime, but programs for administrative and technical training soon will begin providing graduates to fill technical positions.

More emphasis is to be accorded heavy industry in North Vietnam, but development still will follow the general aims for developing the national economy. Continued emphasis will be given to mining, especially to the processing of coal, apatite, phosphate, tin, chrome, and iron. Scheduled construction includes a number of nitrate and phosphate fertilizer plants (most of them using locally available raw material). Also scheduled is an "iron and steel complex," which will use local iron ore, coal, and limestone and which will produce primarily for domestic use for production of equipment for agriculture, mining, and industry. The cement plant at Haiphong is to be re-equipped in order to increase its productive capacity. During 1958 an increase of more than 80 percent in production of cement was achieved by the overutilization of existing equipment, so that the plant is now producing above its rated capacity, and further increases will be dependent upon installation of additional kilns.

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Nearly all of the goals for production under the Three Year Plan of North Vietnam* appear reasonable and reflect plans to expand capacity for production of specific minerals or manufactures. Production of handicrafts, most of which is consumer goods produced outside control channels, is already approaching the planned goal.

The transportation system of North Vietnam has been maintained and in some instances improved. The support of military activities has required the maintenance of major routes and border access routes. Bridges and motorized ferries have been added to main highways, most of which now are all-weather routes. The reconstruction of the Hanoi-Saigon rail line has been extended to Thanh Hoa and is being continued to Vinh, the major economic center of Interzone IV.** The Hanoi-Lao Kay and Hanoi-Nam Quan lines have been maintained to carry the increasing volume of Chinese goods in transit between the K'un-ming area and the main Chinese rail network in South China. With aid from the Sino-Soviet Bloc, the numbers of vessels and barges in the coastal and inland water fleet have been increased. Water transport is especially important as a link between the delta and the southern coastal area. The harbors of Haiphong and Ben Thuy have been improved and are capable of handling all normal shipping requirements.

II. Foreign Economic Relations.

A. Economic Aid.

Without the large amounts of aid received from the Sino-Soviet Bloc, North Vietnam would have found it impossible to achieve any degree of economic recovery. Although progress has been impeded by inexperience, mistiming, and administrative red tape, the program appears to furnish a sound basis for further industrial development in a viable economy, with various projects and activities supported by countries of the Bloc which have specialized competence in that field. Aid has been channeled principally into the rehabilitation of old and the construction of new industrial and communications facilities. With such assistance, North Vietnam has reconstructed or re-equipped obsolete or damaged facilities, trained large numbers of workers on the job or abroad to fill the tremendous gap in technical and administrative manpower, and imported industrial raw materials as well as complete production units. About 70 percent of all aid has been used for these purposes. Of secondary importance have been deliveries of consumer products to complement the limited output of consumer goods industries in North Vietnam.

* See Tables 3 and 4, Appendix A, p. 17 and 18, respectively, below.
** For the boundaries of this economic region, see the map inside back cover.

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Capital funds for expansion of the Vietnamese economy have come largely from foreign aid.* Such aid is believed to have financed about 43 percent of the national budget in 1955; and although this proportion declined to less than 40 percent in 1956, the absolute amount supplied by foreign funds increased about 40 percent. In the budget for 1958, foreign funds still furnished about one-third of the total revenue. As industrial facilities come into production during the next few years, more capital will be generated locally, but foreign aid still will be required.

During the period 1953-59, total financial aid to North Vietnam from the Sino-Soviet Bloc -- loans, grants, materials, and relief aid -- amounted to about US \$520 million.** Communist China contributed nearly 60 percent of this amount, providing grants totaling \$225 million; a long-term loan of \$75 million, and \$75,000 in other forms of assistance. The USSR supplied grants and materials totaling \$100 million, which were used between 1954 and 1959, in addition to granting long-term, low-interest loans valued as follows: in 1957, about \$12 million; in 1958, about \$28 million; and in 1959, \$25 million. The European Satellites contributed about \$54 million in grants and loans, of which Czechoslovakia, East Germany, and Poland furnished \$48 million.

Chinese Communist assistance has been extremely important in the restoration and development of transportation, communications, and irrigation, and has contributed markedly to industrial development in constructing and equipping a number of light industrial installations and consumer goods plants. Chinese Communist administrators and technicians -- who have been spread through most of the government offices, transport and telecommunications facilities, and industrial installations of North Vietnam -- play a major role in economic planning, and their influence in everyday operations appears to be growing. The Chinese Communists have undertaken most of the new industrial construction projects, including a 100,000- to 200,000-ton*** "iron and steel complex," and a number of nitrate and phosphate fertilizer plants. Most of the production of the principal coal mines, of several nonferrous mines, and of the cement plant is being allocated to Communist China, and the Chinese are asserting greater control to assure delivery of these products. In the field of transport the Hanoi-Lao Kay and Hanoi-Nam Quan rail lines have become almost integral parts of the Chinese rail system,

* See Table 5, Appendix A, p. 19, below.

** Dollar values are given in US dollars throughout this report. For further statistical details on foreign aid to North Vietnam, see Table 6, Appendix A, p. 20, below.

*** Tonnages are given in metric tons throughout this report.

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with 3 or 4 trains operating over the lines in transit between K'un-ming in Southwest China and the main Chinese rail net in South China. In February 1959, China signed an agreement which assured economic aid to North Vietnam through 1960.

Soviet aid to North Vietnam has emphasized machinery and equipment and, to a lesser extent, industrial raw materials and petroleum products. Nearly all of the industrial aid has been channeled into basic activities, such as the construction of power plants, the exploration and exploitation of mineral resources, the construction of mineral processing plants, and the construction and reconstruction of basic industrial plants -- for example, a foundry and machine shop, tea-processing plants, and a fish-processing plant. The USSR also has emphasized training activities, constructing and staffing schools in North Vietnam and training Vietnamese in the USSR. Signed agreements assure Soviet aid through 1960.

The amount of aid to North Vietnam from the European Satellites -- although small compared with that furnished by Communist China and the USSR -- has been significant in constructing and reconstructing specific industrial plants, power plants, and communications facilities; in building and staffing several hospitals and other health installations; and in furnishing technical assistance in mining and other facilities. The funds for these purposes have been almost completely spent, and although medical teams and some technicians are still in residence, most of the remaining programs appear to be on a strict contractual basis. Trade agreements between North Vietnam and the European Satellites have been drawn to extend through 1960.

In summary, the ability of the North Vietnamese regime to survive, to strengthen its control, to provide food and essential consumer goods for the population, to expand production, and to increase exports has been made possible primarily by the imports granted as uncompensated aid from the Sino-Soviet Bloc.

B. Foreign Trade.*

During the period of reconstruction the value of North Vietnamese imports financed through foreign aid far exceeded that of imports which entered in commercial trade. In 1957 the value of imports received in trade may finally have surpassed that of imports derived through foreign aid.

* Estimates of the value of the foreign trade of North Vietnam during 1955-58 are shown in Tables 7 and 8, Appendix A, p. 21 and 22, respectively, below.

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Communist China is the principal trading partner of North Vietnam, the value of such trade having risen continuously since 1955. Trade with the Sino-Soviet Bloc in 1958 leveled off as the result of a decline in trade with the European Satellites, which had amounted to about 25 to 30 percent of the total in 1957.

In the trade of North Vietnam with the Free World the most important trading partner has been Japan, which accounted for nearly 75 percent of the value of such trade in 1957. The decline in trade with the Free World in 1958 reflected a sharp decrease in trade with Japan which more than offset the expansion in trade with other countries.

Exports of commodities which should be significant sources of foreign exchange for North Vietnam, such as coal, cement, rice, and vegetable oils, still are below the levels of 1939. The variety of products available for export has been increased, however, and the quality of these commodities is being improved. Agricultural and mineral products still account for most of the exports, but the volume of light industrial products has increased.

The composition of imports into North Vietnam has changed greatly since 1955. Capital equipment, which represented about 19 percent of all imports in 1955, accounted for 31 percent of the total in 1956 and was scheduled to represent about 28 percent in 1958. Imports of raw materials increased in relative importance from 30 percent of the total in 1955 to a scheduled 44 percent in 1958. Imports of consumer goods, however, which represented more than 50 percent of all imports in 1955, were scheduled to decline to about 28 percent in 1958 and to only 12 percent in 1960.

Under the Three Year Plan of North Vietnam, the value of foreign trade in 1960 is scheduled to be 3 times that in 1957, but long-term prospects are less promising. The redevelopment of the extractive industries is just beginning to show productive results, as are the construction and reconstruction of the processing industries, and exports of such products should increase markedly in the next few years. For long-run growth, however, except for coal and phosphate, the reserves of most valuable minerals available for export, such as chrome and tin, exist only in relatively small amounts.

North Vietnam has been expanding trade with the Free World, and by the end of 1958 had signed formal trade agreements with seven countries outside the Sino-Soviet Bloc: Cambodia, Ceylon, Egypt, France, India, Indonesia, and Japan. An attempt will no doubt be made to increase trading relations with the Free World, but various factors serve to limit such expansion and to keep the trade of North Vietnam oriented to the Bloc.

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Only a limited number of buyers in the Free World are attracted by the products which North Vietnam is able to offer for export: tin, chrome, and other ores; rice and other agricultural products; and a wide range of handicrafts. On the other hand, North Vietnam is increasing its strong ideological and economic ties with the Bloc, especially with Communist China. Technicians from the Bloc have directed the development of the extractive industries and of other manufacturing industries oriented toward the export market. The Bloc, especially Communist China, consumes most of the products being developed for export, such as ores, cement, agricultural produce, and handicrafts. Exports of coal to Japan, which have constituted the largest single export to the Free World, were reduced markedly in 1958 as Chinese Communist demands for Vietnamese coal increased sharply. Thus, it is probable that the economy of North Vietnam will be more and more oriented toward that of its northern neighbor and that increased foreign trade will be directed primarily toward Communist China and, to a lesser extent, toward the rest of the Bloc.

III. Prospects.

With the initiation of a period of economic development the North Vietnamese Communists began the crucial test of their ability to survive and maintain economic growth. Success will depend in large measure on the outcome of the programs for socialization. Discontent both in the cities and in the countryside is reflected in the government, the Party, and the army. This discontent will persist but, in the absence of major disasters, probably will not become organized and will not interfere with the ultimate enforcement of decrees for achieving socialization.

Continued economic support from the Sino-Soviet Bloc will be essential to the development of the economy of North Vietnam. Programs now under way should make possible some degree of self-sufficiency by 1960. Continued growth will be slow, however, and will require guaranteed deliveries of raw materials and equipment and a guaranteed market for the limited range of North Vietnamese exports. Communist China will incorporate North Vietnam more and more into its orbit of economic influence, and eventually North Vietnam probably will become a dependent satellite without clear national economic identity.

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APPENDIX A

STATISTICAL TABLES

Table 1

Estimated Population of North Vietnam a/
1938 and 1955-60

<u>Year</u>	<u>Million Persons</u>
1938	13.0
1955	13.0
1956	13.2
1957	13.4
1958	13.6
1959	13.8
1960	14.0

a. 3/. Midyear figures.

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Table 2

Estimated Production of Selected Agricultural Commodities in North Vietnam a/
1939, 1955-58, and 1959 and 1960 Plans

Commodity	Thousand Metric Tons						
	1939	1955	1956	1957	1958	1959 Plan	1960 Plan
Rice	2,400	3,600	4,132	3,950	4,576.9	6,200	7,600
Maize	140	187	259	197	197	N.A.	280
Potatoes	N.A.	534	1,062	540	540	N.A.	910
Manioc	N.A.	163	366	186	N.A.	N.A.	360
Soybeans	N.A.	N.A.	8	7	10.7	N.A.	9
Cotton	1	N.A.	6	6	6	7	9
Peanuts	3	N.A.	18	24	31.2	N.A.	55
Sugar cane	109	N.A.	168	333	492	674	623
Tea	6	N.A.	2.3	2.6	2.8 b/	N.A.	3.2
Coffee	N.A.	N.A.	N.A.	0.35	N.A.	N.A.	0.46
Tobacco	3.2	N.A.	0.9	1.7	1.8 b/	N.A.	2.3
Fish (salt water)	80	N.A.	118	115	N.A.	N.A.	6,000
Salt	38	95	86	106	120	150	N.A.

a. 4/
b. Planned.

Table 3

Estimated Production of Selected Industrial Commodities in North Vietnam a/
1939, 1955-58, and 1959 and 1960 Plans

Commodity	Unit	1939	1955	1956	1957	1958	1959 Plan	1960 Plan
Electric power	Million kwh	120	53	94	123.5	162.3	204.3	271
Coal	Thousand metric tons	2,615	460	1,214	1,088	1,500	2,100	2,700
Cement	Thousand metric tons	310	8.5	197	165	302	385	450
Apatite	Thousand metric tons	N.A.	N.A.	23.5	65.0	138.7	N.A.	400.0
Phosphate	Thousand metric tons	35.7	8.4	34.1	22.5	32.1	52.3	65.0
Tin (pure)	Thousand metric tons	0.7	Negligible	Negligible	0.11	0.223	N.A.	0.43
Chromite	Thousand metric tons	2.9 b/	Negligible	1.2	3.7	5.7	N.A.	32.0
Cotton yarn	Thousand metric tons	12.6	0.2	6.8	9.5	8.7	N.A.	N.A.
Cotton cloth	Million meters	59.8	8.6	47.6	64.7	67.2	78.0	49.0 c/
Silk cloth	Million meters	1.2	0.03	0.37	0.7	4.1	5.0	1.7
Tea	Thousand metric tons	N.A.	N.A.	N.A.	1.5	2.1	N.A.	2.5
Fish (canned)	Thousand metric tons	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1.2
Cigarettes	Million packs	N.A.	N.A.	N.A.	8.9	29.3	37.7	80.0
Matches	Million boxes	162	N.A.	N.A.	87.0	82.8	N.A.	100.0

a. 5/

b. 1943.

c. State-operated mills only.

Table 4

Estimated Gross Value of Production in North Vietnam a/
1955-58 and 1959 and 1960 Plans

Economic Sector	Million Dong (New Currency)					
	1955	1956	1957	1958	1959 Plan	1960 Plan
State industry	30	160	230	380	570	730
Private and handicraft industry	190	280	700	710	970	1,010
Private	(75)	(115)	(160)	(130)	(155)	N.A.
Handicraft	(115)	(165)	(540)	(580)	(815)	N.A.
Total industry	<u>220</u>	<u>440</u>	<u>930</u>	<u>1,090</u>	<u>1,540</u>	<u>1,740</u>
Total agriculture (including cultivation, livestock, and subsidiary production)	1,550	N.A.	1,840	2,070	2,870	3,195
Total production	<u>1,770</u>	<u>N.A.</u>	<u>2,770</u>	<u>3,160</u>	<u>4,410</u>	<u>4,935</u>

- a. 6/. Dong may be converted to dollars at the rate of exchange of 4 dong to US \$1.
b. Planned.

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Table 5

The Budget of North Vietnam a/
1955-57 and 1958 Plan

Item	Amount (Thousand US \$) b/				Proportion of Total (Percent)			
	1955	1956	1957	1958 Plan	1955	1956	1957	1958 Plan
Revenue c/								
State enterprises	5,583	35,000	48,022	64,732	4.5	18.8	24.6	29.2
Taxes	58,806	67,250	65,396	75,373	47.4	36.1	33.5	34.0
Foreign aid	53,471	73,057	70,276	69,387	43.1	39.3	36.0	31.3
Other	6,203	10,787	11,517	12,193	5.0	5.8	5.9	5.5
Total	<u>124,063</u>	<u>186,094</u>	<u>195,211</u>	<u>221,685</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Expenditures								
Economic construction	38,869	81,624	80,734	103,748	32.8	46.0	42.5	46.8
Social, cultural, and welfare	9,922	20,051	22,605	28,377	8.4	11.3	11.9	12.8
Defense	43,088	39,038	40,652	44,780	36.4	22.0	21.4	20.2
Administration	17,626	22,181	19,756	23,055	14.9	12.5	10.4	10.4
Other	8,990	14,552	26,215	21,725	7.5	8.2	13.8	9.8
Total	<u>118,495</u>	<u>177,446</u>	<u>189,962</u>	<u>221,685</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Surplus	5,568	8,648	5,249	0				

a. 7/

b. Converted at the rate of 4 dong to US \$1.

c. Excluding carryover funds.

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Table 6

Sino-Soviet Bloc Economic Assistance to North Vietnam ^{a/}
1953-59

Country	Extended		Utilizations	
	Grants	Credits	Grants	Credits
Communist China	225	75	140	N.A.
USSR	100	65	100	N.A.
East Germany	15		15	
Czechoslovakia	9	16 ^{c/}	9	N.A.
Poland	8		8	
Rumania	4		4	
Bulgaria	d/		d/	
Mongolia	d/		d/	
Albania	d/		d/	
Hungary	2		2	
Total	363	156	278	N.A.

a. Assistance extended by 13 March 1959.

b. Currencies were converted at appropriate exchange rates.

c. Czechoslovakia, Poland, and Rumania together had extended credits totaling more than \$16 million. The status of this credit and the portion extended by each country has never been announced.

d. Less than \$1 million.

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Table 7

Estimated Value of Foreign Trade of North Vietnam a/
1955-58

	Million US \$ b/			
<u>Type of Trade</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
Exports	<u>12.5</u>	<u>15.5</u>	<u>41.7</u>	<u>50.9</u>
Bloc	11.4	13.8	27.5	38.7
Non-Bloc	1.1	1.7	14.2	12.2
Imports	<u>7.7</u>	<u>24.0</u>	<u>86.1</u>	<u>N.A.</u>
Bloc	7.6	23.5	76.5	N.A.
Non-Bloc	0.1	0.5	9.6	N.A.
Total trade	<u>20.2</u>	<u>39.5</u>	<u>127.8</u>	<u>N.A.</u>
Foreign aid c/	53.5	73.1	70.3	N.A.
Total trade and foreign aid	<u>73.7</u>	<u>112.6</u>	<u>198.1</u>	<u>N.A.</u>

a. 8/

b. Converted at the rate of 4 dong to US \$1.

c. Budget allocations.

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Table 8

Estimated Commercial Imports into North Vietnam
by Category of Product a/
1955-57

Category	(Million US \$) <u>b/</u>			Proportion of Total (Percent)		
	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Equipment and spare parts	1.46	7.42	17.22	19	31	20
Raw materials	2.30	7.42	37.87	30	31	44
Consumer goods	3.92	9.10	30.99	51	38	36
Total	<u>7.68</u>	<u>23.94</u>	<u>86.08</u>	<u>100</u>	<u>100</u>	<u>100</u>

a. 2/

b. Converted at the rate of 4 dong to US \$1.

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APPENDIX B

CHRONOLOGY OF EVENTS OF ECONOMIC DEVELOPMENTS IN NORTH VIETNAM*

1957

July-August	Ho Chi Minh tours the Sino-Soviet Bloc.
7 August	DRV-East German 5-year cultural exchange agreement signed in Hanoi.
10 September	Seventh Session of the National Assembly opens. Program for correction of errors said to be basically completed.
11 September	DRV-Czechoslovak post and telecommunications exchange agreement signed in Prague.
5 October	DRV and India sign small trade contract.
October-January 1958	Ho Chi Minh visits USSR and Communist China.
18 December	Kunming - Lao Kay - Haiphong railroad restored to operation.
30 December	DRV-Mongolian trade and payments agreement for 1958 signed in Hanoi.

1958

20 January	DRV-Chinese railroad volume agreement signed (relating to Chinese goods in transit over DRV railroad between Lao Kay, Haiphong, and Nam Quan).
3 February	DRV-Soviet postal interchange agreement signed.
4 February	Ho Chi Minh begins tour of India and Burma.

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1958 (Continued)

March	DRV-Polish trade and payments agreement for 1958 signed.
March	Vinh Power Plant (Soviet aid) completed.
7 March	DRV-Ceylonese rice agreement signed in Peking.
8 March	DRV-East German trade and payments agreement for 1958 signed in Leipzig.
12 March	DRV-Soviet goods exchange protocol for 1958 and trade and navigation agreement signed in Hanoi.
19 March	Second trade agreement between DRV and Japanese Trade Associations signed in Hanoi.
26 March	DRV-Czechoslovak trade and payments agreement for 1958 signed in Hanoi.
31 March	DRV-Chinese trade and payments agreement for 1958 and 1958 protocol to 1955 aid agreement signed in Peking.
1 April	DRV-Hungarian 1958 trade protocol signed in Hanoi.
12 April	Hanoi Machine Tool Factory (Soviet aid) officially inaugurated.
16 April	Eighth Session of the National Assembly opens. Three Year Plan (1958-60) for economic development outlined.
30 April	DRV-Czechoslovak 1958 cultural exchange protocol signed in Prague.
14 May	DRV-East German postal agreement signed in Hanoi.
24 May	DRV-Rumanian and DRV-Hungarian cultural exchange protocol signed.

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1958 (Continued)

4 June	DRV-Hungarian medical aid agreement for 1958-59 signed.
19 June	DRV-Hungarian radiobroadcasting cooperation agreement signed in Hanoi.
23 June	DRV-Indian trade contract for Vietnamese purchase of gunny sacks signed in New Delhi.
July	DRV contributes over 149 million dong (old currency) (US \$37,000) to support of Algerian rebels.
July	DRV-Rumanian technical and scientific cooperation agreement signed in Bucharest.
10 July	DRV-Indonesian trade agreement signed in Djarkarta.
11 July	DRV-Rumanian trade and payments agreement for 1958 signed in Hanoi.
19 July	DRV-Chinese railroad volume agreement signed.
2 August	DRV-Bulgarian technical and scientific cooperation agreement signed in Sofia.
September	DRV permanent trade office established in Cairo under 1957 trade and payments agreement.
October	DRV-French trade agreement annual protocol signed.
October	DRV-Czechoslovak health cooperation agreement signed in Prague.
5 October	DRV-Indian trade contract for exchange of Vietnamese cement for Indian sugar signed in New Delhi.

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1958 (Continued)

18 October	DRV-North Korean technical and scientific cooperation agreement signed in Hanoi.
25 October	First domestic airmail service initiated in flight between Hanoi - Dong Hoi.
November	DRV trade group to set up trade promotion offices in Hong Kong.
19 November	DRV-Cambodian trade and payment agreement signed in Phnom Penh.
25 November	DRV-Albanian 1959-60 protocol on cultural exchange agreement signed in 1957.
29 November	DRV-Hungarian trade and scientific and technical cooperation agreement for 1959-60 and the 1959 trade protocols signed in Budapest.
1 December	DRV-East German trade and payments agreement for 1959-60 signed in Hanoi.
1 December	DRV-Czechoslovak trade and payments agreement for 1959-60 signed in Prague.
1 December	DRV-Korean trade and payments agreement for 1956-60 signed in Hanoi.
3 December	DRV-Czechoslovak radiobroadcasting mutual aid agreement signed.
8 December	DRV-Chinese railroad volume agreement for 1959 signed in Kunming.
9 December	DRV-East German radiobroadcasting mutual aid agreement signed.
9 December	DRV, Soviet, Chinese, Mongolian, and North Korean railroad transit agreement signed in Ulan Bator.

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1958 (Continued)

- 9 December Ninth Session of National Assembly.
Three Year Plan (1958-60) presented
in detail.
- 29 December DRV-Soviet trade and payments agreement
signed.

1959

- 12 January DRV-Rumanian 1959-60 trade and payments
agreement signed.
- 15 January DRV-Mongolian 2-year trade and payments
agreement and 1959 protocol signed in
Ulan Bator.
- 16 January DRV-Chinese 5-year cultural agreement
signed in Hanoi.
- 20 January Ho Chi Minh begins trip to USSR and
Communist China.
- 23 January DRV-Bulgarian 1959-60 trade agreement
and goods and payments protocol for
1959 signed.
- 12 February DRV-Polish 1959-60 trade agreement and
1959 protocol signed in Hanoi.
- 16 February DRV-Albanian 1959-60 trade agreement
and goods and payments protocol for
1959 signed.
- 18 February DRV-Chinese economic and technical aid
agreement and protocols, 1959 aid pro-
tocol, trade and payments agreement for
1959, and a long-term trade agreement
(1960-62) signed in Peking.
- 24 February DRV-East German protocol on 1957 cultural
exchange signed in Hanoi.
- 26 February DRV-Rumanian 1959 cultural exchange pro-
tocol signed in Hanoi.

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1959 (Continued)

26 February	Ho Chi Minh begins tour to Indonesia.
28 February	Currency reform: old dong replaced by new dong at exchange of 1,000 old dong for 1 new dong.
7 March	DRV-Soviet new economic and technical aid agreement signed.
10 March	DRV-Czechoslovak cultural cooperation agreement for 1959 signed in Hanoi.

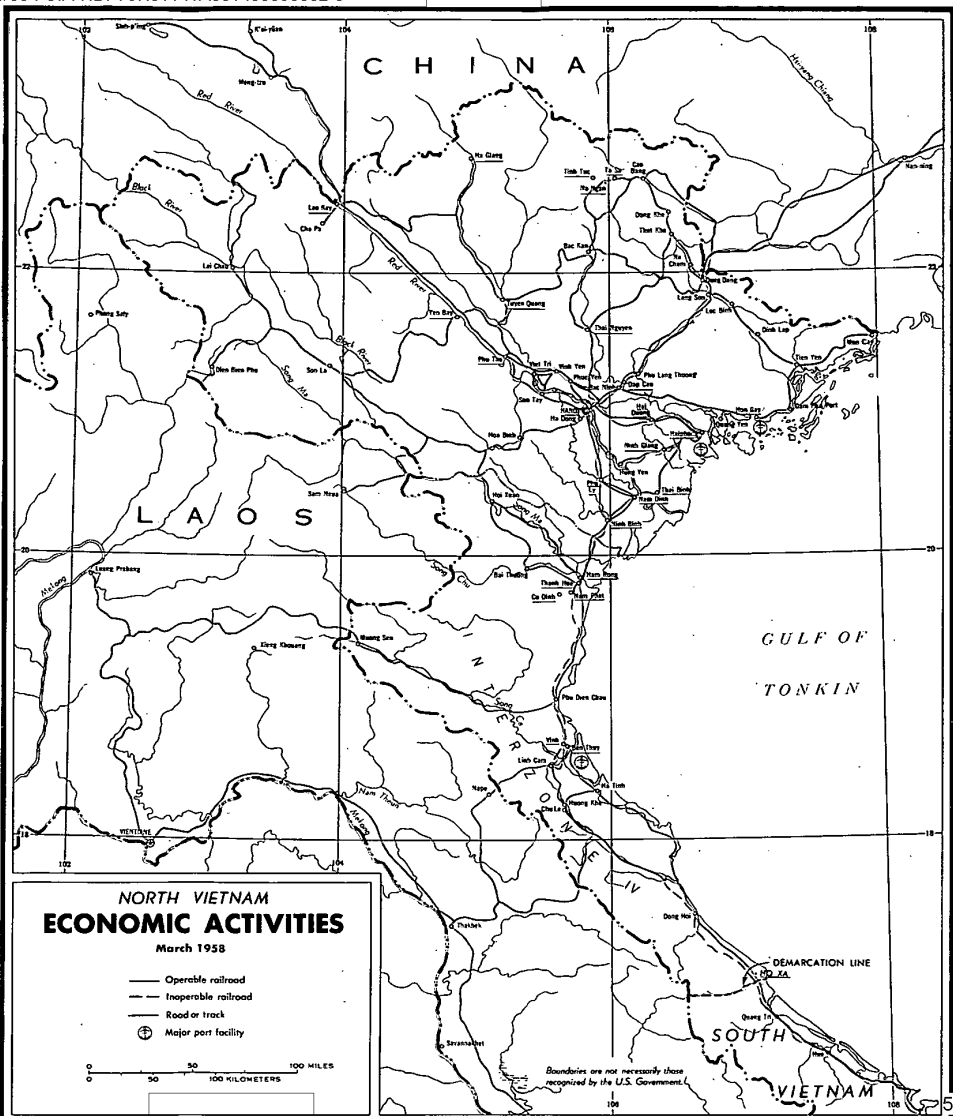
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INDUSTRIAL CONSTRUCTION AND REHABILITATION PROJECTS

- | | |
|-------------------------|-----------|
| ○ Restored/reintegrated | ● 1955-57 |
| □ New | ▲ 1958-61 |
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- | | |
|-----------------|-----------------------|
| HA GIANG | HAPPHONG |
| ④ Power plant | ④ Cement plant |
| | ④ Phosphate plant |
| | ④ Fish cannery |
| | ④ Rice mill |
| | ④ Shipyard (5) |
| | ④ Shipbuilding |
| | ④ Cotton-textile mill |
| | ④ Wood-textile mill |
| | ④ Cigarette factory |
| | ④ Hauling-stock plant |
| | ④ Plastics plant |
| | ④ Iron-ware plant |
| | ④ Petroleum storage |
| | ④ Soap factory |
| | ④ Water supply |
| | ④ Power plant |
| | ④ Harbor dredging |
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- | | |
|-------------------------|-----------------|
| HA NGAN/TA SA | HA GIANG |
| ④ Hydroelectric station | ④ Rice mill |
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- | | |
|-------------------|---------------|
| LAO KAY | PHU LY |
| ④ Asphalt mine | ④ Power plant |
| ④ Power plant (2) | |
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|--------------------|------------------|
| TUYEN QUANG | THAI BINH |
| ④ Lead/Zinc mine | ④ Rice mill |
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- | | |
|----------------|-----------------------|
| YEN BAY | HAAM DINH |
| ④ Power plant | ④ Rice mill |
| | ④ Cotton-textile mill |
| | ④ Water supply |
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|----------------------|------------------|
| THAI NGUYEN | NHON BINH |
| ④ Paper mill | ④ Power plant |
| ④ Iron & Steel works | |
| ④ Power plant | |
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|-----------------------------|-------------------|
| PHU THO | HAAM BONG |
| ④ Iron-processing plant (2) | ④ Phosphate plant |
| ④ Fruit cannery | |
| ④ Power plant | |
| ④ Paper mill | |
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|------------------------|-------------------------|
| VIET TRI | THANH HOA |
| ④ Superphosphate plant | ④ Rice mill |
| ④ Rice mill | ④ Water supply |
| ④ Power plant | ④ Power plant |
| ④ Paper mill | ④ Hydroelectric station |
| ④ Sugar refinery | |
| ④ Brick kiln | |
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- | | |
|----------------|-----------------------------|
| DAP CAU | CO DINH |
| ④ Rice mill | ④ Chromite mine |
| | ④ Chromite-processing plant |
-
- | | |
|--------------------------------|------------------|
| HANOI | HAAM PHAT |
| ④ Engineering works | ④ Phosphate mine |
| ④ Plywood factory | |
| ④ Match factory | |
| ④ Rice mill | |
| ④ Rice mill | |
| ④ Rubber-goods plant | |
| ④ Vehicle-repair works (2) | |
| ④ Radio-telegraph center | |
| ④ Automatic telephone exchange | |
| ④ Toothpaste plant | |
| ④ Cigarette factory | |
| ④ Sugar refinery | |
| ④ Distillery | |
| ④ Brewery | |
| ④ Printing plant | |
| ④ Metal-working plant | |
| ④ Water supply | |
| ④ Power plant | |
| ④ Plastics plant | |
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|------------------|-------------------|
| HAI DUONG | SEN THUY |
| ④ Rice mill | ④ Harbor dredging |
| ④ Water supply | ④ Phosphate plant |
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- | | |
|---------------------|--------------|
| HON GAY AREA | HO XA |
| ④ Coal mine | ④ Rice mill |



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