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INTELLIGENCE MEMORANDUM

ECONOMIC PLANNING AND ORGANIZATION IN NORTH VIETNAM
1955-57

CIA/RR IM-442

28 November 1956

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FOREWORD

This memorandum concerns the interim stages of the reorganization of the economy of North Vietnam from the control of the French Administration into the planned economy sought by the Viet Minh regime. It does not alter, with some qualifications, the estimate of probable economic developments in North Vietnam through 1957 which appears in CIA/RR IM-402, Estimated Economic Gains to the Soviet Bloc in North Vietnam, 25 October 1954, SECRET/OFFICIAL USE ONLY.

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ECONOMIC PLANNING AND ORGANIZATION IN NORTH VIETNAM
1955-57*

Summary and Conclusions

In January 1956 the Communist government in North Vietnam,** known as the DRV,*** announced its first economic plan, the 1956 State Plan for the Restoration of the National Economy.**** This Plan recognizes that the DRV does not yet have a viable economy and that the prospects for its economy becoming viable within the next several years depend upon overcoming the agricultural deficit and upon increased aid from other Sino-Soviet Bloc countries. The Plan is limited in scope to restoring agricultural and industrial production generally to the prewar levels, which means that traditional imports of about 200,000 metric tons[†] of food grains will have to be maintained for subsistence until subsequent plans for boosting indigenous production are realized.

The 13.5 million people of North Vietnam are approximately 90 percent dependent on agricultural pursuits for their livelihood, and their principal crop is rice, of which there are 2 harvests a year. An unprecedented series of natural calamities in 1955, including the continuation of a 2-year drought, the worst floods in 100 years, a devastating typhoon, and plagues of insects, led in

* The estimates and conclusions contained in this memorandum represent the best judgment of ORR as of 15 August 1956.

** As used in this memorandum, the term North Vietnam refers to the geographical area of the former state of Vietnam north of the 17th parallel.

*** DRV is the abbreviation for Democratic Republic of Vietnam (Viet Nam Dan Chu Cong Hoa), which is used in this memorandum to designate the governmental apparatus of the Viet Minh, a common abbreviation for Viet Nam Doc Lap Dong Minh Hoi (Vietnam Independence League), the Communist Party of Vietnam.

**** Referred to hereafter in this memorandum as the 1956 State Plan or the Plan.

[†] Tonnages throughout this memorandum are given in metric tons unless otherwise indicated.

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the fall of the year to the fourth consecutive poor harvest. Relief supplies of Burmese rice were shipped to the DRV by the USSR in late 1955 and early 1956, but these have been too small to make up the rice deficit. It is claimed that the results of the spring 1956 harvest exceeded planned goals, but the results are insufficient to alleviate preharvest food shortages. The primary agricultural measures of the Viet Minh regime are intensive labor projects in irrigation and flood control and modest increases in provision of fertilizer and improved seeds. Heavy emphasis is placed on land reform and peasant participation in Mutual Aid Teams, which are organizational changes that have had no apparent effects as yet in increasing production. Thousands of cadres have been assigned the task of completing land redistribution in 1956 as well as the task of enlisting the peasants in Mutual Aid Teams and enforcing their cooperation in meeting assigned production quotas and taxes in kind.

The 1956 State Plan is also designed to overcome the severe disruption of industry caused by the withdrawal of French technicians and plant managers and by shortages of repair parts, equipment, and raw materials. Domestic production of cement and coal, the principal traditional exports, was very small in 1955 (about 760,000 tons of coal compared with a past record of 2.6 million tons and less than 100 tons of cement compared with past production of 300,000 tons). Furthermore, the institution of new taxes and the introduction of government personnel into enterprises formerly private have brought a majority of industrial firms to the verge of bankruptcy in order that the Communist regime might take over their direction as "joint state-private enterprises." The establishment of state merchandising shops and marketing cooperatives has been pushed as rapidly as possible, curtailing private initiative and activity in these fields.

The foreign trade of the DRV has been at least temporarily curtailed by the effects of war and the drought, greatly limiting the availability of foreign exchange in a traditionally food deficit area. Widespread shortages of goods of all kinds have resulted in severe inflation. An attempt to establish "normal relations" with South Vietnam and the conclusion of trade and aid agreements with the countries of the Sino-Soviet Bloc, especially Communist China and the USSR, are only beginning to have their effect in greatly increased trade in 1956 over 1955. The largest of these agreements -- US \$327 million* in aid to be received over a 5-year period -- was

* Unless otherwise specified, all dollar values in this memorandum are in terms of US dollars.

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with Communist China. The aid is to be used primarily for economic rehabilitation. A second aid agreement -- for \$100 million over a period of 2 years -- was signed with the USSR. This aid will be used for the rehabilitation and construction of 25 enterprises, for technical aid, and for foodstuffs.

Despite the catastrophic occurrences -- floods, drought, and disease -- and the industrial stagnation, the military strength of the Viet Minh has been substantially increased as a result of numerous truce violations by the Chinese Communists, who have supplied extensive quantities of heavy military equipment. The maintenance of a large military force is a further strain on the local economy, although the floods and continuing drought in 1955 made necessary the wholesale application of military manpower resources to the vital economic tasks of repair of dikes; emergency irrigation work; and restoration of road, railroad, and telecommunications networks.

It is not expected that the industrial development possible with the scale of Sino-Soviet Bloc assistance as projected will result in overcoming the trade deficit, at least over the next several years. The area contains significant deposits of coal, iron ore, phosphates, tin, manganese, chrome, and tungsten, the production of which could be developed far more than it was under the French. The future economic success of the DRV depends largely upon the commercial exploitation of North Vietnam's industrial raw materials, for which adequate markets exist in the Free World even if Bloc supplies are ample for Bloc industrial requirements.

In contrast with performance in other fields, the DRV's rapid restoration of transport and communications facilities in North Vietnam stands out as a significant accomplishment strategically and economically. Because of extensive Chinese Communist aid and the military ability of the DRV regime to conscript corvée labor, the repair and extension of the road, railroad, and telecommunications systems have progressed rapidly. Despite the debilitating effect of famine on the general population, the Viet Minh government has forcefully pushed both the construction of new military supply roads along the Laotian frontier and the rehabilitation of railroads. By the end of 1955 the road network had been restored to the prewar level, and intensive work continued on improvements to the existing Tonkin Delta road net. Completion of the Hanoi - Nam Quan railroad early in 1955 and of the Hanoi - Lao Kay railroad in August 1956

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and further construction on the southern railroad line, which is now restored to a point below Nam Dinh, have permitted the withdrawal of most of the Chinese advisers on these projects. Moreover, the northwest railroad line will be connected to the Chinese meter-gauge Kunming - Ho-k'ou railroad (which is planned for completion by the end of 1956), thus linking Yunnan Province for the first time, via the Lao Kay - Hanoi - Nam Quan line, with the main standard-gauge Chinese railroad system. As the North Vietnam meter-gauge system requires continued transloading at the Chinese station of Ping-hsiang in Kwangsi Province, it was decided in March 1956 to undertake conversion of the North Vietnam railroad system to standard gauge. The amount of progress made is not known. In support of this intensive railroad and road construction work, telecommunications facilities have been expanded, with the emphasis clearly on landlines similar to those of the former French colonial system.

The total impact of economic reverses has been further complicated by the lack of technically trained manpower and by delay in establishing the essential elements of an economic control and planning administration. The National Planning Board was established only in October 1955, and a state statistical service in November. The 1956 State Plan was hastily prepared, probably with the aid of Soviet and Chinese Communist technicians, and was finally promulgated only in January 1956. Thus an economic control administration comparable to those in other Sino-Soviet Bloc countries is only in process of development and probably is heavily dependent on Soviet and Chinese technical advice. The need for satisfying the minimum requirements of subsistence in the face of existing conditions of food deficit, epidemics, inflation, and the maintenance of the military establishment -- even before a sound base for further economic development is created -- indicates that North Vietnam will continue to be an economic drain on the rest of the Bloc at least until 1958 and possibly longer.

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I. Economic Problems.

A. Background and Current Situation.

Official pronouncements by the Viet Minh have indicated that the continuation in 1955 of the adverse weather of 1954 resulted in harvests at least as bad as and possibly worse than those of 1945, when 2 million people are reported to have died of starvation. 1/* Since the establishment of peace with the signing of the Geneva Accords in the summer of 1954, the Viet Minh leaders have described the conditions facing them as a "famine unprecedented in the nation's history," 2/ and, in lieu of adequate resources of their own to cope with these conditions, 3/ they have obtained increases in the planned Sino-Soviet Bloc aid in the form of 200,000 tons of Burmese rice shipped to Haiphong by the USSR in the period September 1955 - April 1956. At that time the rice shortage was estimated to exceed 500,000 tons, and the Communist government has since referred to "preharvest famine" and "food-short" conditions to be overcome in the spring and summer of 1956. 4/

The roots of the present situation date from 1954, when a drought reduced the spring harvest. 5/ A review of developments during that period indicates that the Sino-Soviet Bloc's increased provision of truck transport units and logistic support to strengthen Viet Minh military forces necessitated extensive road rehabilitation in the north and northwest provinces of Tonkin. The Viet Minh decision to engage in a decisive battle at Dien Bien Phu and the utilization of newly acquired Soviet artillery required the labor of thousands of coolies and human carriers for restoration of roads and for the deployment of Viet Minh military forces and equipment. The conscription of human carriers, coupled with maximum induction of eligible men into military service, proved costly to the Viet Minh, both during the 8 months before the battle and during the subsequent redeployment of Viet Minh units to the Delta, when the rainy season left a large part of the military truck park inoperable on temporary hinterland roads. This enforced diversion of labor from agriculture reportedly helped to reduce the spring and fall harvests of 1954 in some areas to about 50 percent of normal. 6/

The provision of large quantities of military supplies by the Chinese Communists during and after the Geneva negotiations, in violation

* For serially numbered source references, see Appendix B.

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of the truce agreements -- apparently in preparation for a continued Viet Minh assault on the remaining French positions in the Delta should the Geneva discussions fail -- placed the Viet Minh in possession of a stockpile of arms and ammunition sufficient for at least 3 months' further operations. Thus the conclusion of the Geneva Accords found the Viet Minh well supplied with arms and ammunition but short of food and well organized for military operations but lacking in civil administrative machinery. The Viet Minh government administration, organized originally for a military support program, had consisted principally of a Ministry of Defense and a Ministry of Finance. The Ministry of Defense had operated its own war production factories, established its own economic departments in the military interzones, and circulated its own national war bonds. 7/ Similarly, the Army had collected food from the peasants and operated the military supply depots to provide food for the population after military requirements had been met. The Ministry of Finance had operated the State Bank as the bank of issue, its currency being held generally in low regard.

Three factors which contributed to the spread of famine conditions in 1955 were the following: the levying of manpower from the paddy fields for military support in late 1953 and during the first 6 months of 1954, which reduced the harvest and left rice in some cases unharvested in the fields; the requisitioning of food by the military and the deployment of military supply depots with their units in rapid and continuous movement, which disrupted local subsistence and food distribution patterns; and crop failures, the lack of usual imports, and increasing opposition to rice collection, which created shortages of rice for urban distribution.

Upon arrival in Hanoi in October 1954, the Communist government stated that, in order to overcome the current food shortages, the peasants would have to engage in self-help and that the planting of manioc, maize, and other supplementary food crops should be emphasized. In the ensuing interharvest period, rice prices rose prohibitively in the hinterland. In Hanoi, where strict rationing measures were imposed and rice prices were controlled in order to create the impression of well-being, the control machinery proved inadequate to prevent hoarding, shortages, black markets, and a spiraling inflation. Until late 1955, these conditions caused delay in fixing exchange rates between Sino-Soviet Bloc currencies and the

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Viet Minh dong.* 8/ Noting the disappointing 1955 spring crop, the Minister of Agriculture, in opening an agricultural conference, called upon the cadres to "correct the weak points" of fifth-month rice production with a view to increasing the next crop. 9/ Nevertheless the government sought to carry out its planned collection of agricultural taxes in kind. Because of tax assessments and insufficient reserves of food for their families, the peasants in many places gathered the rice from the fields before it had ripened. 10/ The tax effort was subsequently acknowledged to be only 65 percent successful. 11/

This was the setting in 1955 for the worst climatic assault on Indochina in 100 years, opening with the intensification of drought in the spring of the year. As in 1954 and contrary to the traditional pattern of the monsoon season, almost no rain fell in North Vietnam during April and May. Newly planted rice had to be replanted in many areas. In June and July, efforts at reconstructing dikes came to a halt, as the lack of irrigation water necessitated breaching the river dikes. In some cases, dams were built across the reduced rivers to divert water into irrigation ditches. 12/ There then occurred an unusual variation of weather patterns: the monsoon rains passed over North Vietnam and deluged China's hinterland areas of Yunnan, Szechuan, Tsinghai, and Tibet. Northeast India had the worst flood in a century as the Brahmaputra, draining from Tibet, covered most of East Bengal. Lhasa was reported to have had 196 inches of rain, and the new Sikang-Tibet highway was inoperable for several months. The Salween River reached an unprecedented flood level, washing out communications in Burma. The Mekong and Red Rivers and their tributaries carried their share of this great runoff into Indochina.

The Tonkin Delta dike system was designed to handle water levels not in excess of 36 feet. Normally, the water levels of the main tributaries of the Red River would not exceed 7 to 9 feet during high water. The Black, Clear, and Gam streams reached levels between 55 and 73 feet during July, August, and September. The Delta dikes, which in many places had been breached to divert trickles of water

* The dong, the currency unit of the Viet Minh Ministry of Finance, was originally intended to circulate on a par with the piaster of the Banque de l'Indo-Chine, but the dong deteriorated during and immediately after the war to about one-eightieth of the exchange value of the piaster.

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into the dry paddy fields, were inundated by unprecedented water levels. As the flood waters diffused from the deep valleys of the uplands into the nearly flat Delta, only a few areas near the sea-coast and remote from the river system escaped serious damage. During this period the government created an emergency Flood Control Committee, assigned a large portion of the military forces to dike-work, mobilized nearly half a million people for emergency construction, and endeavored to save essential communications. In the hinterland, land brought into use for supplementary crops -- which the government had hoped to employ as a palliative until the fall harvest -- also was affected. 13/

The worst flood in 100 years was followed on 26 September by the last and worst typhoon of the season, which struck the Tonkin Delta area where the rice had not yet been harvested. The Viet Minh coastal provinces all suffered dike breaches and flooding. Power utilities were destroyed or damaged in many towns, including Hanoi, and transportation was again interrupted. In the highlands, where the typhoon expended itself, most of the remaining supplementary food stocks were destroyed, either directly or through a plague of worms and grasshoppers which followed the typhoon. 14/ Before and after the floods and typhoon, the drought paradoxically continued. To cope with the disaster as well as to initiate long-range planning, the government set up a National Planning Board, largely composed of members of the Council of Ministers, whose first immediate concern was the flood and famine situation. 15/

The continuing inadequacy of food over several years had caused conditions of debility among the people, which facilitated the spread of epidemics of malaria, amoebic dysentery, tuberculosis, yaws, gastroenteric diseases, and trachoma. To check the spread of diseases, a major Sino-Soviet Bloc medicinal aid program 16/ was inaugurated. Closely paralleling the human epidemics, a cattle plague in the fall destroyed a large portion of the country's livestock. 17/

Evidences of popular resentment against government measures were noted during the 1955 floods when the regime frequently and publicly condemned "saboteurs" who were impeding flood control work and who "severed communication lines" in an alleged "unsuccessful effort to thwart the government." 18/ It is apparent that grain collections, drought, flood, food shortages, and the spread of disease, which had influenced Catholic opposition and increased emigration to the south, also contributed to popular resentment and that this mood was further

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encouraged by the government's efforts to take over non-Communist currencies which were in the hands of the public. Official exchange conversions were temporarily authorized at rates disadvantageous to the holders of such currencies, 19/ and in November 1955, free Indochinese piasters were outlawed by the Viet Minh for business transactions. Popular opposition was also stimulated by the continued dependence of the government on the military supply depot system for distribution of rice to civilians. Under this system, as was officially admitted in November 1955, no food was distributed in some areas, and the newly established civilian food distribution organization was provided with such limited stocks that its prospects of success depended on new supplies.

Negotiations which had been undertaken with urgency in June 1955 in Peiping and Moscow were concluded to provide for large-scale international Communist aid to the DRV. Upon his return from Moscow in July, Ho Chi Minh thanked the USSR for its new \$100-million aid program to increase agricultural and industrial production and called upon the people to "do their best to be worthy and merit this aid." 20/ The appeals made to the Bloc at that time resulted in shipments of over 100,000 tons of rice, largely from Burma, to Haiphong in the last quarter of 1955. 21/ This relief may be compared with the normal import requirements of 200,000 tons and with the rice production deficit of about 400,000 tons under the average annual production for all North Vietnam; the total imports amounted to less than 1 month's food requirements. On 27 December the government announced that the country was "experiencing an unprecedented famine." 22/ The Public Health Service confirmed the existence of famine conditions in reporting that, during 1955, the average caloric intake per person had declined to 500 calories a day compared with the previous statements that 2,000 calories would be considered by the government to be a bare minimum for subsistence.

Further weather reverses occurred in 1956. The drought continued, and in January a cold wave brought to the Delta freezing temperatures, the first ever recorded in Tonkin. Urgent requests for winter clothing were made to Peiping, and broadcasts from Hanoi indicated that much rice had to be replanted. 23/ Orders placed with the Bloc for irrigation pumps were slow in being met, complicating both the problems of irrigation of dry lands and pumping of flooded lands. It was stated in a Hanoi newspaper article in February 1956 that, because of shortages of pumps and of road transport facilities to convey the pumps even if they were available, irrigation had been restricted

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on those fields in the interior which were more than 23 feet above sea level. The article called on the young men in the country to use manpower to overcome nature. 24/

Beginning in January 1956, references by the Hanoi radio to "continuing drought," "widespread disease," and "precautionary measures against a third-month famine" indicate that health and climatic conditions were still problematical and that, in the absence of further substantial imports, famine conditions might become more acute before the June harvest. 25/

B. 1956 State Plan for the Restoration of the National Economy. 26/

The Council of Ministers had intended 1955 to be the first of 2 years of planned economic recovery for North Vietnam, after which a larger scale plan of longer duration would be launched. But climatic reverses, the government's lack of experience in economic administration and planning, and the delay in developing comprehensive plans and in obtaining Sino-Soviet Bloc technical aid and equipment contributed to make 1955 generally a year of trial and error, of false starts and backing, and probably of acute distress in large parts of the country. Only in the fields of railroad and road rebuilding and telecommunications, where Chinese Communist aid was most readily available, was substantial progress made.*

The formation of a National Planning Board in October 1955, the creation of a statistical service in November 1955, and the arrival of Sino-Soviet Bloc advisers and technicians enabled the government by early 1956 to inaugurate planned economic development and to utilize effectively Sino-Soviet Bloc aid for that purpose. Up to the end of 1955, very little progress had been achieved in developing production of the established industries, such as coal, cement, electric power, ferrous and nonferrous metals, and textiles. Rehabilitation and development projects other than irrigation, flood control, and restoration of the transport and telecommunications systems, which took immediate priority, had to be delayed pending the availability of aid equipment, which began to arrive in the second quarter of 1956.

* These developments are discussed in III, below.

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The 1956 State Plan was formulated by the National Planning Board after its appointment in October 1955 and was first announced by Ho Chi Minh in December 1955. It was elaborated in more detail and its principal points were emphasized by Nguyen Van Tran, Vice-Chairman of the National Planning Board, and by Premier Pham Van Dong and the ministers responsible for its execution in articles and public statements in January 1956, when it was discussed and heavily publicized in a series of conferences of Party cadres, merchants, industrialists, trade union leaders, and educators. Although no over-all figures of financial allocations were given, the total expenditures planned for the various ministries in carrying out the Plan show the following allocations: agriculture and irrigation, 20 percent; industrial construction, 38 percent; transport and communications, 23 percent; and culture, health, education, and miscellaneous, 19 percent. 27/

The formulators of the Plan, apparently under the influence of and with the advice and assistance of Soviet or Chinese Communist technical consultants, developed the Plan along the lines of Chinese experience in 1949-52, taking into account the existing characteristics, the assets, and the liabilities of the economy of North Vietnam. On the debit side, in their view, were the remnants of the colonial system and a system of land tenure and private ownership of productive facilities which were repugnant to the Communist leadership but which had to be utilized in developing production. Other liabilities were the devastation of war, the debilitating effects of 2 years of adverse weather, industrial stagnation, and the removal of industrial equipment by the French, as well as the lack of training and skills on the part of the existing labor force for executing a national economic plan. On the asset side, in their view, were the "rich" natural resources and the productive agricultural potential of the land, which they believed could be more fully realized than ever before by the completion of the agrarian reform, by the inauguration of preliminary socialist forms of Mutual Aid Teams and marketing cooperatives, and by the friendly aid of the "People's Democratic countries," which would augment the strength of the Vietnamese people. Aims of the Plan included: expansion of the state-owned sector; preparation of peasants' organizations and private industries 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. The accomplishment of these aims was expected to build the strength of the DRV for the eventual peaceful unification of North and South Vietnam under the Viet Minh government.

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Premier Pham Van Dong and the responsible ministers on the National Planning Board elaborated at length on the difficulties which would attend the execution of the Plan. The need was stressed for education of cadres who could train, instruct, and encourage the workers. Decisions concerning the Plan were publicized so that they might be studied and understood by all classes of the population. A basis was laid for close coordination between the governmental ministries and such people's organizations as trade unions, farmers, educators, youth organizations, merchants, and industrialists.

The Plan is broken down into six categories of programs and objectives, as follows: agriculture, industry, transport and communications, commerce, public health, and education and culture. The elaboration of these programs by the responsible ministers before the various conferences of people's organizations in January 1956 involved considerable repetition of slogans; encouragement to study and hard work; and warnings to avoid idleness, waste, and sabotage by enemies within. Under the mass of verbiage it is clear that the goals have been set for the planned development of the DRV economy, with work norms, Stakhanovite emulation, rationing, and strict allocation of resources for achievement of production goals.

1. Agriculture.

Although it is constantly reiterated that agricultural rehabilitation is the most important program under the 1956 State Plan and is fundamental to the recovery and development of the other sectors, agriculture does not receive the largest allocation of funds in the state budget -- 20 percent compared with 38 percent for industry and 23 percent for transport and communications. Yet this degree of emphasis is greater than in any other Communist country and constitutes recognition that self-sufficiency in agricultural raw materials and overcoming of the food deficit are prerequisites to a sound development of the economy as a whole and to the expansion of industry and foreign trade. Production of raw cotton is to be strongly encouraged (although it was found uneconomic under previous administrations). Increased production of sugar, tea, coffee, soybeans, castor beans, sesame seeds, peanuts, timber, and various fruits is also needed to provide the raw materials for local industry, handicrafts, and restoration of transport facilities and for expansion of foreign trade. Improvement in selection of seeds, provision of fertilizers, breeding of draft animals, and irrigation and flood control are to be vigorously supported and publicized.

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Mutual Aid Teams are to be widely organized with a view to increased production, extension of improved techniques, and rational division of labor. Nghiem Xuan Yem, the Minister of Agriculture, has announced that 50,000 hectares of reclaimed land will be brought under cultivation and that acreage under cultivation in rice and subsidiary crops will be substantially increased. The major goals of the 1956 State Plan for agriculture, compared with previous levels of production and estimated production in 1955, are shown in Table 1.

Table 1

Estimated Production in 1955 and Planned Production for 1956 of Selected Agricultural Commodities in North Vietnam

Commodity	Unit	Previous Level of Production	1955 Estimated Production	1956 Estimated Goal	1956 Plan Goal as a Percent of 1955
Rice (paddy)	Thousand metric tons	2,400	1,820	2,220	122
Sweet potatoes	Thousand metric tons	150	101	150	149
Manioc	Thousand metric tons	45	30	45	149
Cotton	Metric tons	1,122	490	1,122	230
Sugar	Thousand metric tons	28	12	28	250
Tobacco	Metric tons	4,162	1,260	4,200	330
Industrial wood	Thousand cubic meters	385	160	410	250

The Viet Minh Council of Ministers apparently has determined to follow the model of Communist China in the organization of the economy. Agrarian reform, involving land redistribution, and Mutual Aid Teams, involving mobilization of the masses under Communist cadre supervision and institution of fixed quotas for production, taxes in kind, and deliveries to marketing cooperatives, are patterned after Communist China's agricultural reorganization of 1949-53. Now

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in its fifth and "final decisive phase," agrarian reform is a heavily emphasized feature of the 1956 agricultural program. It provides for the expropriation of lands belonging to landlords (almost non-existent as a class in the Tonkin Delta), traitors, reactionaries, and democrats, and the formation of Mutual Aid Teams as a first step toward collectivization. "Where the village has a reduced population and a large amount of land for redistribution /a direct reference to areas affected by the mass migration of 850,000 people to the south/ families of fallen soldiers, as well as the landless and impoverished, will benefit." The "rich peasant" is the chief victim of the seizures, although it is emphasized that the current agricultural crisis necessitates "all-class cooperation" to restore normal production. 28/

The chief source of revenue in the DRV is the rice tax, which is collected after each of the year's two harvests. Thus, in order to increase the effectiveness of tax collection by the Ministry of Finance, the agrarian reform measures require the registration of land holdings and assessment of their productivity. The dispatch of thousands of Communist cadres into the rural areas and the establishment of a network of branches of the State Bank are designed to provide the mechanism for tax collection, for registration of land holdings and more effective assessment of each farm's productivity, for controlling output, for extending control of currency in circulation, and for establishing a more pervasive security apparatus. 29/ Inasmuch as at least 90 percent of the country's population derives its income directly from agriculture, the popular desire to increase production appears to fit in with the government's desires for increased tax revenues and for economic growth. The Viet Minh regime's attack on this problem appears to differ somewhat from the typical Communist approach to the problem of economic development in a backward country -- that of seeking to control agricultural production in order to siphon off investment funds for reconstructing and expanding the industrial sector. The Viet Minh leaders appear to recognize the need of first overcoming the traditional food deficit of their agricultural economy and the effects of the recent series of natural calamities and shortages of agricultural investment goods. The outcome of the current program will depend largely on whether the provision of investment goods -- which are channeled to the peasants through the imposed Communist institutions -- is adequate both to support the planned increase in production and to serve as inducement to the peasants to cooperate in the prescribed new forms.

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The government has publicized its rather limited efforts to assist the peasant with seeds, fertilizer, draft animals, irrigation and flood control equipment, and credit. The government is largely dependent, however, on Sino-Soviet Bloc aid for the necessary investment goods to improve agricultural production. Among the various foreign aid projects already begun are the following: a Czechoslovak project to provide pumps and technical assistance for irrigation, Soviet provision of fertilizer, and an East German aid project first to restore production of phosphate fertilizer to 30,000 tons per year and later to increase it to the previous level of 150,000 tons. The main efforts to aid agriculture, however, are the government's mass labor projects in flood control and repair of dikes, which were begun in 1955.

It is not clear what will be the effect of government pressure on the peasant to participate in Mutual Aid Teams, marketing cooperatives, and other organizational changes which lead to government control of output. Government pressure may meet peasant resistance in the form of decreased production. The first announcements of the results of the June harvests of 1956 claim overfulfillment of goals, so that, as reported by Nghiem Xuan Yem, Minister of Agriculture, "the chronic food shortage in preharvest days has been, generally speaking, lessened and in many localities eliminated." ^{30/} The inference from this statement, despite the claim of overfulfillment, is that the DRV itself is not entirely satisfied with the first half year's results under the agricultural program of the 1956 State Plan.

2. Industry.

In its program for industry the National Planning Board recognizes that the rate of expansion of the industrial sector would be dependent on the resources available from industry and from agriculture. The availability of food and raw materials from agriculture would be dependent on increases of production and hence, to some extent, on an increase in the production of chemical fertilizer and on favorable weather. The goals for the production of phosphate were fixed at 392 percent above the 1955 total and for the production of cotton textiles at a "large" increase above that in 1955. Other goals, as published, were the following: canvas shoes, 200 percent above the 1955 total; bricks and tiles, 162 percent. For the repair of locomotives at Gia Lam, the goal was fixed at 50 percent above that in 1955, with the same increase set for the construction and

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repair of passenger cars and freight cars. Production of electric power at the Hanoi power plant was to increase 32 percent, whereas costs were to be lowered 24 percent; total output of electric power was to increase 152 percent. Although, as in the case of agriculture, the goals are designed to bring production somewhere near the prewar levels and are therefore relatively modest, the planners indicated the expansion of output meant the increase of foreign trade, which would bring more foreign exchange for the purchase of machines and industrial raw materials. Estimated production in 1955 and goals for 1956 of selected industrial products are shown in Table 2.

Table 2

Estimated Production in 1955 and Planned Production for 1956 of Selected Industrial Products in North Vietnam

Commodity	Unit	Previous Level of Production	1955 Estimated Production	1956 Estimated Goal	1956 Plan Goal as a Percent of 1955
Coal	Thousand metric tons	2,500	760	1,700	228
Tin	Metric tons	1,625	450 <u>a/</u>	1,500	329
Phosphate	Thousand metric tons	150	30	150	492
Cement	Thousand metric tons	312	20	300	1,500 <u>b/</u>
Cotton yarn	Tons	13,500	100	13,500	13,500 <u>b/</u>
Electric power	Million kilowatt-hours	140 <u>c/</u>	40	100 <u>c/</u>	252
Paper					230
Soap					416
Leather					184

a. Metal content of tin concentrates.

b. Given in the published Plan as "large" percentages.

c. Including numerous small diesel plants whose production has not hitherto been recorded.

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For the period since the assumption of control by the Viet Minh in May 1955, production has been nominal in the established industries. Probably the coal industry has made the best record, with a production of possibly 760,000 tons for 1955 (including the period of French control), which may be compared with the previous peacetime record of 2.6 million tons in 1939. Cement production was resumed at the Haiphong plant only in December 1955 and, it is estimated, may reach its former rate of approximately 300,000 tons per year by the end of 1956. With the benefit of Soviet Bloc technical aid and equipment, electric power production in 1956 may possibly resume the prescribed goal of 100 million kilowatt-hours. The DRV plans to produce 150,000 tons of phosphate for fertilizer in 1956 despite the small output in 1955. CIA estimates, however, as a result of East German aid, that production in 1956 will reach 100,000 tons and the goal of 150,000 tons in 1957. The need for exportable ferrous and nonferrous minerals to redress North Vietnam's traditional trade deficit has occasioned the enlistment of Sino-Soviet Bloc aid in projects to increase production of these ores. These and the industrial aid projects, insofar as they have been mentioned in official announcements and intelligence reports, are discussed in II, below.*

II. Foreign Economic Relations.

Having been severely hampered in 1955 in their efforts at economic rehabilitation by the natural calamities of drought, flood, typhoon, and the resulting severe food shortage, the Viet Minh leaders turned to the Sino-Soviet Bloc for greater assistance than apparently had been planned under the aid agreements of July 1955. The USSR underwrote large shipments of rice purchased from Burma -- possibly 250,000 tons, of which over 100,000 tons had been received by the end of 1955. 32/ Communist China sent some rice in addition to its original planned shipment of 10,000 tons in December 1954. Other Sino-Soviet Bloc countries made token shipments of rice. To save the remaining crops, some Soviet fertilizer and a number of Czechoslovak pumps were imported. 33/ Additional aid totaling less than \$500,000 has been offered or sent to prevent the spread of epidemics. 34/ Although the DRV obtained additional aid from the Bloc, the restoration and development of the rest of the economy has consequently had to be slowed down. Moreover, the need for

* For detailed information on industrial facilities, mineral resources, and production, and on prospects for development thereof through 1957, see source 31/.

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ships to transport rice from Burma has reduced considerably the already limited shipping and port accommodations available for importing goods from the Bloc.

Because restoration of the economy depends in part on the development of foreign trade, the Viet Minh officials turned their attention to the rehabilitation of transport links with the Sino-Soviet Bloc. With Chinese aid, the restoration of the overland routes to China was soon accomplished, and Haiphong, the only major port in North Vietnam, was opened. One large dredge arrived from the USSR in March 1956, and additional dredges and cranes to increase the port's capacity are on order from the Bloc. 35/

Although the announcements of volume and value of trade lack precision, it is clear that total trade in 1955 increased above that in 1954. Viet Minh officials have claimed that government exports more than doubled, but have stated merely that government imports were "superior to the 1954 level." 36/ The reported increases in trade with the Sino-Soviet Bloc, however, suggest a very large increase in total imports. Thus the DRV has claimed that, compared with 1954, trade "in both imports and exports" has increased 400 percent with China and as much as 700 percent with other Soviet Bloc countries. 37/

Trade in 1956 is scheduled to increase 91 percent under the 1956 State Plan. 38/ The Communist reporter Burchett, however, in commenting on this Plan, has stated that "this year's foreign trade may be 5 or 6 times that of 1955" after considering the "contracts signed already and others about to be signed." 39/ Later reports indicate that trade with Communist China (as distinct from aid) is expected to be 2.5 times the amount of total trade in 1955. Trade with other Bloc countries is expected to be "4 times higher than during 1955, with Soviet Russia and Czechoslovakia, respectively, 5 and 6 times higher." 40/

The DRV's foreign trade during 1955 was carried on almost entirely with the Sino-Soviet Bloc. Trade with the Free World was largely limited to Hong Kong, Japan, and (illegally) South Vietnam. Rice imports from South Vietnam through April 1955 were valued at \$4 million. The implementation of the trade agreement with France and the probable increase in trade with Japan in 1956, however, should increase slightly the Free World's share of the DRV's trade.

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In 1955 the DRV concluded trade agreements with Communist China, the USSR, Czechoslovakia, and France. Trade agreements for 1956 have been or will be signed with all Sino-Soviet Bloc countries except possibly North Korea, Albania, and Outer Mongolia.

An analysis of shipping (see Tables 3 and 4*) and other trade data indicates that rice was the major import in 1955, amounting to over 145,000 tons. In addition, probably 15,000 tons of rice were received from Communist China, Bulgaria, and Poland.** 41/ Thirty thousand more tons of rice probably reached the Viet Minh from South Vietnam via Haiphong. 42/ Since the cession of Haiphong in May, some rice probably has been purchased clandestinely from the south. It is estimated that approximately 14,000 tons of fertilizer and at least 16,000 tons of petroleum, possibly including 2,000 tons received overland, have been sent by the Soviet Bloc. Possibly 6,000 tons of cotton and textiles were also obtained from the Bloc. The volume of metals, machinery, and vehicles is unknown, but may not have been much more than 5,000 tons in 1955. Small amounts of paper, medicines, cement, chemicals, and other food-stuffs also were imported. In the first 2 months of 1956, 57,000 tons of rice and 10,800 tons of petroleum probably reached North Vietnam.

The DRV is making strenuous efforts to expand exports in order to earn foreign exchange. Much of the technical assistance from the Sino-Soviet Bloc is directed into those light industries and extractive industries which will produce goods for export. Probably the largest export in 1955 was coal, although some of the coal was earmarked as payment to the French for the transfer of the Hongay mines. Mining equipment has been imported to expand coal output and to develop other mineral resources which are largely untapped. Bloc technicians are surveying these resources, especially the phosphate deposits. Czechoslovakia is providing material and technical assistance for the exploitation of the forest resources of North Vietnam.

Despite these efforts to develop the major export resources in addition to all kinds of minor exportable products, the outlook for any great volume of exports is unfavorable. Many exportable products are unknown in the Bloc, and it is necessary to develop a market for them. Thus the DRV has exhibited various products to the Bloc at the Leipzig, Plovdiv, Poznan, and Hungarian International Fairs.

* Tables 3 and 4 follow on p. 20.

** Rice from Poland, normally an importer, was a transshipment from Burma.

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Table 3

Estimated Volume of Oceanborne Imports by the DRV
from the Soviet Bloc
May-December 1955 and January-February 1956

Commodity	Metric Tons		
	May-December 1955	January 1956	February 1956
Rice	106,900 a/	24,700 a/	32,500 a/
Other foodstuffs	1,600		
Fertilizer	13,800 a/	9,500 a/	
Petroleum and its products	14,100 a/	10,800 a/	
Metals	2,500	200	
Machinery	100		
Cotton and textiles	6,200	300	
Paper	600		
Unknown	1,900	6,700	
Total	<u>147,700</u>	<u>52,200</u>	<u>32,500</u>

a. Probably imported on Soviet account.

Table 4

Estimated Value of Selected Oceanborne Imports by the DRV
from the Soviet Bloc
May-December 1955

Commodity	Volume (Thousand Tons)	Representative	Value (Million US \$)
		Price a/ (US \$ per Ton)	
Rice	107	140	15
Fertilizer	14	65	1
Petroleum and its products	14	50	1
Total	<u>135</u>		<u>17</u>

a. 43/

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Direct aid from the Sino-Soviet Bloc has supplemented the limited foreign exchange available to the DRV from exports. Nearly every Bloc country -- even North Korea and Outer Mongolia -- has given some aid to the DRV. Communist China has extended aid totaling \$327 million over a 5-year period, and the USSR has granted \$100 million over a 2-year period. The other countries have not revealed the amount of their aid.

A. With the Sino-Soviet Bloc.

1. Communist China.

a. Trade and Aid Agreements.

Trade protocols between the DRV and Communist China were signed for 1955 to cover general trade and the special border trade. ^{44/} These protocols provided for a fourfold increase in trade over 1954. Communist China probably exported commodities similar to those exported in 1954 -- cotton textiles, machinery, transport and communications equipment, medicines, and paper -- in exchange for agricultural and mineral products from North Vietnam.

In July 1955, Communist China and the DRV signed an agreement "to present without compensation to the Government of the Democratic Republic of Vietnam 800 million Chinese yuan" (1,224 billion dong, or \$327 million) to help the DRV rebuild railroads, river docks, highways, and bridges and to restore and construct textile mills, tanneries, factories for manufacturing medical equipment, electrical equipment, and agricultural implements, a "paper mill," and the like. In addition, Communist China will provide technicians and train DRV workers as apprentices in Chinese enterprises. This aid also will cover the cost of studies for DRV students in China. The aid will be extended over a period of 5 years. ^{45/}

It is reasonable to assume that imports of military supplies from the Bloc are continuing, probably under a separate and secret military aid or loan agreement.

b. Imports.

Little is known about the commodity composition of the trade between China and the DRV. The DRV has reported receipt of cement, machinery, paper, sugar, textiles, and rice. Although

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it is difficult to distinguish between aid and trade, most of these supplies probably have been imported as aid.

c. Exports.

Chinese Communist ships have been reported at Hai-phong loading coal destined for China. ^{46/} Another source has reported the export of antimony and tin ores to China, ^{47/} amounting to 20 to 24 tons a day, which, however, appears to be optimistic. As China has long been an exporter of these metals, such imports probably would be intended for reexport.

2. USSR.

a. Trade and Aid Agreements.

Throughout 1953 and 1954 there were few references to Soviet aid to or trade with the Viet Minh. A major Soviet aid agreement, however, was signed in July 1955 during Ho Chi Minh's visit to Moscow. ^{48/} At that time a joint statement announced that the USSR had granted 400 million rubles* as aid over a period of 2 years. The agreement promised Soviet aid in "the reconstruction and building of 25 industrial and public utility enterprises" ^{49/} and aid in checking epidemic diseases and in the providing of food. ^{50/} The growing famine conditions apparently prompted Ho's visit, for the USSR subsequently contracted to buy up to 250,000 tons of Burmese rice for North Vietnam. ^{51/} A trade agreement also was concluded during Ho's visit. ^{52/} No official announcement of the intended exchanges has ever been made, however, and there have been no official statements on trade arrangements for 1956 other than estimates of a fivefold increase of trade.

b. Imports.

Probably most of the Soviet exports to the DRV have been shipped by sea. Sea shipments might be quicker than rail shipments in some cases and are less expensive. Over 100,000 tons of rice have been reported in 1955 moving from Burma on Soviet account. ^{53/} It is estimated that the DRV received 14,000 tons of fertilizer, possibly of Soviet origin, in 1955. The Viet Minh referred to these shipments as having played an important role in saving the food crops.

* Equivalent at the official rate to US \$100 million.

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Fourteen thousand tons of petroleum arrived during 1955. Smaller amounts of cotton and textiles (6,000 tons), metals (2,500 tons), paper (600 tons), vehicles, and machinery were reported to be moving by sea. Several thousand tons of machinery, vehicles, metals, petroleum, and medicines probably also came by rail through China. 54/

Expected shipments of rice and petroleum from the USSR in the first 2 months of 1956 totaled 57,000 tons and 10,800 tons, respectively. Ten thousand tons of fertilizer arrived in Haiphong in January. It is obvious that these imports have been designed to relieve the serious local shortages.

c. Exports.

Little is known about exports from the DRV to the USSR, although the exports probably consist of indigenous agricultural products.

3. Czechoslovakia.

Several agreements for 1955 were signed on 10 August 1955 between the DRV and Czechoslovakia. 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. 55/ A second agreement was signed providing aid for the rehabilitation of the economy. Czechoslovakia agreed to supply scientific and technical experts in addition to "machines and commodities." The DRV will send students to Czechoslovakia for technical studies. 56/ On 27 January 1956 a goods exchange and payments agreement was signed for the year 1956. The DRV will continue to export those products mentioned in the 1955 agreement. Czechoslovak exports will be similar to those of 1955. The volume of exchange will increase fivefold over 1955, according to the agreement, 57/ or sixfold, according to a July 1956 statement. 58/

A triangular agreement with Japan has been worked out under the Czechoslovak-DRV trade and payments agreement. Japan will import coal from the DRV and export two 5,000-ton freighters to Czechoslovakia on a switch account basis; Czechoslovakia's exports to the DRV will be settled under the trade agreement. 59/

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4. East Germany.

The signing of trade agreements between the DRV and East Germany in 1954 has been reported twice. The first report indicated that an agreement covered the period from 10 October 1954 to 1 March 1955, and the second report indicated the signing of an agreement in December 1954, apparently for 1955. 60/ Neither of these reports seems very reliable. No trade agreement with East Germany was mentioned by the Communist reporter, Burchett, until 1956. The announcement by the DRV in February 1956 that a trade agreement would be signed shortly suggests that this is the initial trade agreement with East Germany. According to the DRV, the over-all principles of the agreement had been agreed on, but the final selection of machinery and heavy equipment would be made at the Spring Fair in Leipzig. Thus in March 1956 it was announced that the trade agreement had been signed in Leipzig on 2 March. According to the terms of the agreement, the DRV will export timber, peanuts, sesame, coffee, and handicraft products in exchange for East German machinery, chemicals, and medicines. 61/

An economic aid agreement was also signed on 31 January 1956 whereby East Germany will provide optical equipment, chemicals, machine tools, equipment for chemical works, mining equipment, polygraph printing works, and automatic telephone exchanges. The agreement specifies that East Germany will supply technicians and machines to survey and develop phosphate deposits in North Vietnam. 62/

5. Hungary.

Hungary has sent aid supplies to the DRV since 1954, but the first formal agreement was not signed until 16 December 1955. Hungary will give agricultural, industrial, and other machinery; transport vehicles; metals; medicine and medical instruments; and consumer goods to the DRV in 1955-56. In addition, Hungary will send scientists and technicians. 63/ At the same time, a protocol was concluded which laid the groundwork for a trade agreement for 1956. 64/

6. Poland.

As in the case of other Satellites, aid goods were dispatched to the DRV by Poland before formal economic relations were established. In July 1955, Polish aid consisted of automobiles, trucks, rice, medicine, and medical equipment. 65/ It was only on

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7 February 1956 that aid was formalized in an agreement covering 1955 and 1956. Under this agreement Poland will provide machinery, equipment, tugboats, barges, motor cars, tools, rice, pharmaceuticals, textiles, 66/ and other products.

On the same day 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, metals, pharmaceuticals, chemicals, and "stable" industrial consumer goods. 67/

7. Bulgaria.

Bulgaria had sent to the DRV such items as rice, clothing, canned meat, and oil before a trade agreement was signed on 10 January 1956. The trade agreement provides for exports from the DRV of such items as lumber, peanuts, sesame, opium, ores, and almond oil in exchange for electrical goods, chemicals, medicines, and industrial goods for construction purposes. 68/

8. Rumania.

On 17 April, two agreements were signed between the DRV and Rumania for 1956 and 1957 providing for Rumanian exports of electrical apparatuses and various consumer goods in exchange for tea, timber, agricultural products, and handicrafts, and for Rumanian technicians and aid goods -- agricultural equipment, generators, and cloth. 69/

9. North Korea and Outer Mongolia.

A North Korean delegation was reported visiting Hanoi and Haiphong in August 1955. 70/ In a November article in the Hanoi press it was mentioned that North Korea, among other countries, was giving aid to the DRV. 71/ Apparently the aid is small, and there is no need for a formal aid or trade agreement. Outer Mongolia has made a token gesture of friendship by presenting to the DRV 600 animals, 200 tons of meat, 25 tons of butter, and 25 tons of sausage. 72/

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B. With the Free World.

1. South Vietnam, Laos, and Cambodia.

From December 1954 until the cession of Haiphong to the DRV in May 1955, shipments to Haiphong increased rapidly. In January 1955, 1,214 tons were shipped from South Vietnam to Haiphong. In February, shipments rose to 6,000 tons; and in March, shipments had jumped to 15,000 tons. The 22,000 tons shipped in these 3 months may be compared with 12,000 tons shipped in the comparable period of 1954. The increase in 1955 shipments was caused by the critical shortage of rice in North Vietnam and by French traders taking the opportunity of stockpiling all kinds of goods in anticipation of trade with the DRV after the turnover of Haiphong. Although the issuance of rice shipping permits for Haiphong was stopped on 15 April, it has been estimated that 12,000 tons would be shipped by 18 May under licenses already issued. 73/

After the cession of Haiphong, all legal trade with North Vietnam ceased. Some smuggling continues between North Vietnam and South Vietnam, however, and the loss of the tax on goods smuggled may be sufficiently large to encourage South Vietnam to legalize trade with North Vietnam. The Viet Minh has reported that the interchange with South Vietnam has increased greatly. Thus one (ambiguous) statement made in August 1955 claimed that the quantity of goods exchanged "during the early half of 1955 alone was 1.5 times that of 1954." 74/ The considerable volume of Viet Minh propaganda in the first half of 1955 calling for the establishment of normal relations with South Vietnam has dwindled, and little mention has recently been made of this issue.

2. Rest of the Free World.

Upon the cession of Haiphong, French technicians remained at the Hon Gay Coal Mines and the Haiphong Cement Works to assist the Viet Minh in their operation. Reimbursement for the transfer of these two assets has been estimated as 5 billion dong, or 1 million tons of coal, over 15 years for the coal mines and 25 billion dong for the cement works. 75/

On 1 June 1955 the French were reported to have sold the Hanoi tramway for 300 million francs in 50 semiannual installments of 6 million francs each. 76/ On 19 September 1955, however, the

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French agreed to pay the Viet Minh 265 million francs for damages to equipment removed from public buildings during the evacuation of North Vietnam. 77/

In October 1955 the French and the Viet Minh came to terms over trade in an agreement providing for 500 million francs (\$1,430,000) in trade each way for 1 year. According to this agreement, 78/ the DRV will deliver coal (possibly 100,000 tons), 79/ raw silk, agricultural products, forest products, and handicraft products in exchange for such imports as French machines, spare parts, textiles, vehicles, pharmaceutical goods, chemicals, building materials, ironware, and books. Reports during the negotiations suggested that both tungsten and teak would be exported by the DRV, 80/ but no mention was made of these items in the announcement of the agreement. Payment will be through reciprocal French franc accounts in the DRV National Bank and the Bank of France.

Trade between the DRV and the rest of the Free World has been small. Only a few Western ships have been reported going into Haiphong, and some of these ships may have picked up goods in Hong Kong and Macao on Chinese Communist account. 25X6A

25X6A

The DRV's cotton requirements may be partially satisfied from Egypt. A local Egyptian paper reported in December 1955 that the DRV and Egypt had completed a draft trade and payments agreement envisaging Egyptian exports of cotton yarn, textiles, and agricultural products for rice, starch, silk, zinc, lime, tin, coal, and cement. 82/ According to a 9 March broadcast from Damascus, Egypt had concluded a trade transaction with the government of the DRV for the exchange of up to \$5 million worth of Egyptian cotton for quantities of coal, cement, and valuable woods. The transaction was concluded between Egyptian and DRV delegations at the Spring Fair in Leipzig in East Germany (25 January 1956). 83/

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III. Transport and Telecommunications System.

A. Transport.

1. Highway Transport.

The highway system of North Vietnam originally comprised about 12,250 kilometers of main and secondary roads, about two-fifths of which were usable only in dry seasons. During the war the road net was heavily damaged, only half the total distance being usable at the time of the armistice. ^{84/} The intensive labor of army units and corvée gangs on road reconstruction beginning from the fall of 1954 made possible the restoration of two-thirds of all war-damaged highways by January 1955. ^{85/} In order to facilitate the receipt of Chinese aid, the reconstruction of roads in the Tonkin Delta took priority ^{86/} in a major communications development program. By September 1955 it was announced that between 5,600 and 5,900 kilometers of roads had been rebuilt but that bridge construction on both highways and railroads remained the chief problem in the Delta and south along the coast. ^{87/} An announcement about highway construction in December 1955 revealed that 4,000 kilometers of roads had been reconstructed or newly built during the year. ^{88/} Two main trunk routes were included in this figure: one from the port of Haiphong via Son La to Lai Chau in the northwest, which accompanied the development of military depots along the Laotian frontier in support of the Pathet Lao, and the other extending from the town of Nam Quan on the Chinese border through Hanoi, south along the coast toward the 17th parallel. It was also stated that the length of highways open to traffic in December 1955 was twice that of the summer of 1954. ^{89/}

The announcement by the Viet Minh on 20 January 1956 that about 3,500 kilometers of roads would be reconstructed in 1956 indicates a little more clearly the condition of the present road system. ^{90/} Previous announcements of road restoration apparently reflected the results of intensive Sino-Viet Minh efforts to restore essential roads to limited use for the movement of supplies. The 1956 rehabilitation and construction program appears to aim at the further improvement of some of these roads, such as the Hanoi - Son La - Lai Chau trunk highway serving the northwest, to become limited all-weather roads. In February 1956 the road from Lai Chau north toward Ban Nam Koum on the Chinese border was under major reconstruction. The establishment of labor camps along the unmaintained road

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south of Lai Chau to Tuan Giao and repair activity farther south to Dien Bien Phu may indicate an intention to establish a motorable road between the Chinese and Laotian borders. 91/ As Hanoi had stated in early 1955 that by mid-1956 the prewar network of roads would be restored to use, 92/ it seems clear that the reconstruction effort is to be largely completed in 1956, when a total of approximately 5,900 kilometers of roads will have been restored since the armistice.

Two trunk routes are of strategic significance. One -- the Nam Quan - Hanoi road -- which constituted the first transport artery to be restored, has since been extended southward a considerable distance toward the demarcation line. The other route -- from Haiphong to Lai Chau -- which in the past was a poor, secondary road, has been rehabilitated and improved into a limited all-weather truck route. 93/ Recent reliable information indicates that a spur of this road has been extended into Sam Neua from Moc Chu to support the substantial Communist military supply activity along the Laotian border. These two trunk roads, along which bridging efforts continue, would make possible the rapid movement of military forces and supplies to any point along the entire Laotian - South Vietnam border.

Although road repair has proceeded rapidly, even in the face of destructive floods, numerous temporary ferries have had to be employed, limiting the through capacity of the main road system. 94/ The government's bridge-building efforts in 1956 are intended to eliminate most of the ferries on primary roads.

The truck park of the DRV now consists of more than 3,000 vehicles, which is an increase of about 1,000 since the Geneva Accords. There have been large imports of trucks, vehicles, and spare parts under the Sino-Soviet Bloc assistance program, 95/ and it is probable that a larger percentage of trucks is now operational than during the war years. Although the capacity of DRV roads is a relative consideration and dependent on seasonal weather patterns, the present truck park and improved road system are believed to be adequate to support major military operations in the area.

2. Rail Transport.

In the fall of 1954 the Viet Minh inherited from the French a badly damaged 1,080-kilometer meter-gauge rail system, consisting of 4 lines radiating from Hanoi. Only the 100-kilometer Hanoi-Haiphong line was operable, and numerous culverts and bridges needed to be rebuilt. Of the remaining three lines, the most important logistically

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and strategically was the line north from Hanoi to Nam Quan on the Chinese border, which was accorded priority. On the 167-kilometer line north of Hanoi, 96/ some 100,000 laborers were mobilized for construction work under the direction of the Chinese Communist 102d Military Railroad Engineering Battalion. 97/ The line was rebuilt to the original meter gauge and restored to service between December 1954 and March 1955; through passenger service was initiated between Communist China and North Vietnam in August 1955. 98/ Roadbed and bridge construction work has continued to attain satisfactory standards, reportedly for the purpose of preparing for eventual conversion to the Chinese standard gauge (4 feet 8-1/2 inches), which was expected by mid-1956. The 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.

The most substantial progress in rail restoration during 1955 was on the 296-kilometer Hanoi - Lao Kay line, a part of the Kunming-Hanoi-Haiphong line completed by the French in 1910. The line had been largely destroyed in the French - Viet Minh fighting, and the adjoining 176-kilometer section from Lao Kay to Pi-se-chai in China's Yunnan Province also had been destroyed during World War II. On the Chinese side, about 250 tunnels and 47 bridges, including the famous Tunnel Gorge bridge destroyed in World War II, were to be rebuilt, with the entire line scheduled to go into service again in 1956. 99/ The Viet Minh officially stated that construction began on their portion of the line in March 1955, 100/ although the collection of old rails and ties and preliminary construction had already been under way for at least 6 months. 101/ Their original schedule provided for complete restoration before the end of 1955, but floods, a high incidence of disease among the laborers, and necessary bridging and trestle construction (including such key projects as the Viet Tri bridge) delayed completion and prevented extension of rail services up the Red River valley. Only about 104 kilometers of new track were operable by January 1956. 102/ By April, however, it was announced that the line had reached Lao Kay, and on 7 August through service to the border was inaugurated with the dispatch of a train from Hanoi. 103/ It is believed, therefore, that the entire line may well be in use from Haiphong to Kunming by the end of 1956, permitting Yunnan's strategic minerals to be exported through the ocean port of Haiphong and linking Southwest China for the first time, via North Vietnam, with the main Chinese rail system. 104/

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Recently, more frequent reports have been received of work under way on the line from Hanoi south toward the 17th parallel. 105/ During 1955 the 80-kilometer segment to the textile center of Nam Dinh was restored to use, and farther south, where more than 200 bridges had been demolished by the Viet Minh, 106/ construction responsibilities have reportedly been assigned to the local population. Particular difficulty was known to have been encountered last fall at the site of the 525-foot steel-arch bridge at Ham Rong near Thanh Hoa. 107/ In this section, thousands of ties and rails were reported to have been observed in stacks along the right-of-way. It seems likely, given the imminent restoration of the Lao Kay line, that acceleration of construction on the line south from Hanoi will occur. The government has indicated that the line will have the highest priority in 1956, and it would seem that continued Chinese aid and corvee labor could return the line to service 240 kilometers south to Vinh by the end of the year. Rail service at least to Vinh would be advantageous to facilitate the receipt of ocean cargoes via the adjacent seaport of Ben Thuy. Military needs along the nearby section of the Laotian border would also be more adequately met, as the frontier road network is not so well developed as in the Delta.

The Viet Minh has depended heavily upon the Chinese Communists not only for reconstruction assistance but also for aid in the operation of the rail system itself. The Chinese have supplied the Viet Minh with locomotives and freight cars from the Dairen Rolling Stock Plant 108/ and with numerous items of bridging equipment and rails from Chungking, Chu-chou, and Shanhaikwan (Lin-yu). 109/ The present Viet Minh park consists of 67 locomotives, 1,131 freight cars, and 36 passenger cars, of which most are of 1910-15 vintage. 110/ At least five locomotives are known to have been supplied by the Chinese. 111/ The Chinese have also stationed technical personnel at the Gia Lam Railroad Workshops, largest in North Vietnam. 112/

The Viet Minh has stated that 480 kilometers of rail line were restored in 1955, bringing the total serviceable track kilometrage to 544 in February 1956. 113/ Although it is planned to construct 320 kilometers more during 1956, it would seem that an amount of line similar to that restored in 1955 could realistically be scheduled for 1956, in view of the recent completion of the Lao Kay line and the continuing work on the southern line below Nam Dinh.

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3. Water Transport.

a. Maritime.

The most important prize in water transport gained by the Viet Minh was the acquisition of Haiphong, the port for Hanoi, in May 1955. Control of Haiphong, a valuable adjunct to overland international connections, permitted direct foreign trade with countries other than Communist China, thereby reducing the economic dependence of North Vietnam on its northern neighbor and relieving road and rail facilities of a growing burden.

In June 1955, ships began to arrive at Haiphong loaded with Soviet Bloc aid. The volume of coastal traffic between the DRV and Communist China apparently has been of less importance. By April 1956, Haiphong had received about 106,000 tons of cargo from the USSR and the European Satellites, including ammonium sulfate, machinery, motor vehicles and spare parts, iron and steel, and petroleum products, plus about 150,000 tons of rice acquired by the USSR under a trade agreement with Burma and given as aid to the Viet Minh. Exports from Haiphong, as well as from other ports of North Vietnam, have been negligible, although there is evidence of increasing activity in coal traffic from Hon Gay and Cam Pha in British and Japanese vessels. 114/

The port of Haiphong, about 18 miles inland from the Gulf of Tonkin, is the principal ocean port for North Vietnam. Part of the Soviet aid program announced last summer provided for the rehabilitation of the ports of Haiphong, Hon Gay, and Ben Thuy. 115/ Because of constant silting and a lack of dock railroads, only 3 of Haiphong's 11 pre-World War II docks were open to ocean shipping by the end of 1955. 116/ The presence of Soviet advisers during 1955, however, contributed to a number of improvements, including the establishment of maritime radio facilities, installation of the first new off-loading cranes in 20 years, construction of new warehouses and storage facilities for petroleum and its products, and the initiation of a shipbuilding effort. 117/ The shipbuilding effort, focused on the old Robert Ship Repair Shop, has resulted in the production of six 200-ton barges. 118/ One dredge has been received from the USSR, and several more dredges are on order from the Netherlands and the USSR, which are to be used in restoring the channel to 24-foot depth, permitting greater use of Haiphong's berthing area by larger vessels. 119/ The USSR

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and China have supplied new tugs and barges and are to deliver more, so that processing of deep-water shipping at Hon Gay and the port of Ben Thuy may be expedited. 120/

The extensive silting of the port of Haiphong prevented much shipping activity, and only a few small Soviet, Chinese, European Satellite, British, and Japanese ships were able to berth there in the first few months following the change in government. The critical nature of the DRV economy, which necessitated the summer aid negotiations in Peiping and Moscow, was the occasion for early provision of Bloc technical assistance for the opening of Haiphong to deep-water vessels. This permitted the accommodation of the emergency shipments of Soviet-aid rice from Burma in the latter part of 1955. Even with Soviet assistance since mid-1955, the unloading capacity probably is not in excess of the 4,000 tons per day estimated for 1952, because of the further deterioration of the port since that time. 121/

b. Inland Waterways.

North Vietnam has, during high water, 800 kilometers of navigable waterways and always had a considerable amount of small-craft traffic in the Tonkin Delta. 122/ The unusually great difference in high and low seasonal water levels precluded year-round use of the larger rivers. At high water, craft with a draft of 7 feet can proceed 320 kilometers up the Red River to Lao Kay. It is not believed, in view of increased road and rail transport capabilities, that the damage to levees during the floods in 1955-56 will have a seriously retarding effect on total traffic volume. 123/

4. Civil Air Transport.

Before 1956 the DRV was solely dependent for civil air transport on services set up by Poland to provide transport for its delegation to the International Control Commission (ICC) between Hanoi and Nanning-Peiping. Up to this time the French Union had been supplying internal air transport to the ICC. In December 1955 the DRV established a Civil Aviation Administration and announced the activation of a new civil air service, whose mission is, in part, to provide internal air transport to the ICC. On 1 January 1956, 124/ 5 new air transports -- 2 C-47's and 3 Aero-45's -- supplied by the Chinese Communists under a trade contract concluded on 30 December 1955, were delivered at Hanoi, 125/ and there are reports of Viet Minh pilots being trained in Communist China. The Viet Minh has assumed

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control of air operations within its own airspace and has established an increasingly effective air weather service and air defense organization. 126/ Communist Chinese technicians have directed an important airfield rehabilitation program and taken over operational control of airfields in North Vietnam. The Chinese also extended their scheduled domestic air service to Hanoi on 24 April 1956. 127/

5. Transport Prospects.

The success of Viet Minh efforts to restore transport services is reflected in plans for major increases in freight carried by rail, road, and water transport, which are to perform a total of 291 million ton-kilometers in 1956. 128/ Plans to increase performance may be overly optimistic. Transport equipment left by the French is old, 129/ and the railroads, faced with increased demands, are experiencing a shortage of rolling stock. 130/ Viet Minh capabilities to repair equipment are increasing, however, and the Bloc is capable of supplying the locomotives and rolling stock required to meet increased transport demands. 131/

The breakdown of the 1956 target figure among the various carriers -- rail, 123 million ton-kilometers; water, 137 million ton-kilometers; and highway, 31 million ton-kilometers -- suggests that rail and water transport are resuming their former dominant positions. Motor transport, on the other hand, will be used in its traditional role as a means of local distribution rather than for the long-haul carriage required during and immediately following the war when railroads were inoperable. Furthermore, the growing dependence on rail and water transport will free large numbers of trucks for other uses, particularly for the collection and distribution of agricultural products.

More important, in potential at least, are the strategic implications of transport rehabilitation. Continuation of the rail line south along the coast from Nam Dinh, accompanied by the already completed restoration of the trunk roads to Lai Chau and Vinh, 132/ will greatly increase the capability of the Viet Minh to move troops and supplies toward the 17th parallel as well as toward the Laotian frontier, in the event of renewal of hostilities in either area. Completion of the Hanoi - Lao Kay line, along with fulfillment of planned restoration of its partially dismantled connection to Kunming by the Chinese in 1956, 133/ perhaps will be of greater advantage to the Chinese. Basically, it will facilitate the development of

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Southwest China's mineral resources, which then can be transshipped through Haiphong instead of being hauled long distances overland to consuming and export centers in China. Accompanied by fulfillment of plans to link Kunming directly with the Chinese rail net at Chungking, 134/ it could provide the developing industrial and agricultural areas of central-west China with access to the sea through Haiphong, the southernmost major Communist port. Consequently, the economic and military capabilities of Communist China would be brought closer to the Southeast Asian countries which it is attempting to influence.

B. Telecommunications.

1. Radio.

Both domestic and international telephone and telegraph communications facilities are government monopolies in the DRV. The key radio station is located in Hanoi, and a secondary station is located in Haiphong. 135/ All official business is allowed a 50-percent reduction in telephone and telegraph rates, with state enterprises receiving priority service. 136/

The DRV is increasing the effectiveness of point-to-point radio telecommunications, with this element of the over-all communications system consisting of about 13 stations. 137/ These provide adequate liaison with Hanoi's central radio station. Viet Minh press statements indicate that some of these stations are now 16 times more powerful than those in use immediately after the 1954 cease-fire. In the meantime, the point-to-point system is being enlarged, with at least nine stations being added during 1955. 138/

Offices for the collection and distribution of international telegrams have been established at 17 post offices in North Vietnam. 139/ These offices are geographically well distributed throughout the country. At present, all messages to countries in communications contact with Communist China are reportedly routed through China, under the provisions of the December 1954 bilateral treaty. 140/

2. Wireline.

There are now in operation in the DRV 6 telegraph lines and 13 telephone lines for interprovince telecommunications, connecting some 30 post offices. 141/ This provides adequate coverage

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to serve the internal administrative needs of the government. From the beginning of 1955 through August 1955, 1,500 kilometers of telephone and telegraph lines were strung. During the same period, about 575 kilometers of wireline were repaired. 142/

It is estimated that more than 1,900 kilometers of telephone and telegraph lines will be restored during 1956. Four telephone lines are now being strung from Hanoi to Thanh Hoa and Vinh. 143/ Characteristically, new lines and restored lines are to serve the essential economic and administrative needs of the country and follow the former alignment of landlines under the French colonial administration. Generally, the requirements for additional communications construction under the 1956 State Plan reflect improvements for the existing system, as the Viet Minh has been successful since 1954 in converting the formerly extensive radio networks to landline use.

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APPENDIX A

GAPS IN INTELLIGENCE

Information pertaining to economic resources, production facilities, and physical output is fairly complete for the period before the French withdrawal from North Vietnam, so that the economic base of the area can be described with fair precision. For the brief period since the Viet Minh obtained control of the country, accurate information is lacking as to the extent of deterioration or development of resources and production for almost all commodity categories and for changes in population and the labor force. The available information on food shortages makes the general subsistence level appear unbelievably low. Trade data can be estimated generally on the basis of Sino-Soviet Bloc trade and aid agreements, ship movements, and trade of the DRV with the Free World. Information pertaining to restoration of transport facilities is more complete than in other fields, but details are lacking on volume of tons-originated and ton-kilometers of performance.

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APPENDIX B

SOURCE REFERENCES

Evaluations, following the classification entry and designated "Eval.," have the following significance:

<u>Source of Information</u>	<u>Information</u>
Doc. - Documentary	1 - Confirmed by other sources
A - Completely reliable	2 - Probably true
B - Usually reliable	3 - Possibly true
C - Fairly reliable	4 - Doubtful
D - Not usually reliable	5 - Probably false
E - Not reliable	6 - Cannot be judged
F - Cannot be judged	

"Documentary" refers to original documents of foreign governments and organizations; copies or translations of such documents by a staff officer; or information extracted from such documents by a staff officer, all of which may carry the field evaluation "Documentary."

Evaluations not otherwise designated are those appearing on the cited document; those designated "RR" are by the author of this memorandum. No "RR" evaluation is given when the author agrees with the evaluation on the cited document.

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