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20 June 1988

Vietnam: Struggling With Food Shortages

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Summary

Vietnam, with its ailing economy, faces difficulty raising and distributing enough food for its rapidly growing population. Acute shortages of rice have been reported this year in some northern provinces, with Hanoi claiming that bad weather, insect infestations, and its own ill-conceived policies are primarily responsible. To cope, Hanoi is transporting rice from the agriculturally more productive south to the north, liberalizing its policies to stimulate production, and appealing for emergency Western aid. Although Vietnam is suffering through a serious food shortfall, in our judgment, Hanoi, is exaggerating the need to help break down the ASEAN-US embargo on foreign aid.

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This memorandum was prepared by Office of East Asian Analysis. Information available as of 20 June 1988 was used in its preparation. Comments and queries are welcome and may be directed to the Chief, Indochina Thailand Malaysia, Southeast Asia Division, OEA,

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Worsening Food Situation

The Vietnamese economy, already near collapse, (see Box), is being hit hard by a grain shortage. Grain production declined almost 5 percent from 18.5 million tons in 1986 to 17.6 million tons in 1987, while Vietnam's population of 65 million continues to increase at an annual rate of 2.5 percent. Nationwide, per capita grain consumption fell from just over 300 kilograms in 1985 to less than 280 kilograms in 1987 (see graph). Local shortages, especially in the north, are more severe than the national average because it is difficult to grow food there due to the harsher weather conditions. US Embassy Bangkok sources report that this year's winter-spring crop, harvested in June or July will be at least 20 percent below the 1987 level--a shortfall of at least 500,000 tons--in some northern provinces and malnutrition is becoming increasingly evident. The winter-spring crop is the most important of Vietnam's three rice crops, usually accounting for 40 percent of production. Agricultural experts estimate that Vietnamese grain output is unlikely to exceed 18 million tons. [redacted]

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Vietnam: Economic Malaise

Vietnam's economy is dismal. Per capita income is less than \$200 per year. [redacted] Vietnamese economists estimate that more than 1 million people enter the labor force each year, with less than half finding full-time jobs. Vietnamese industries are operating at less than half capacity, according to press reports, due to shortages of spare parts, fuels, and raw materials while the agricultural sector suffers from a lack of fertilizers, insecticides, and farm machinery. Hanoi has little foreign exchange to import items to upgrade its industries and increase its food production. Furthermore, with exports largely limited to agricultural products and handicraft items, Vietnam's ability to generate foreign exchange is poor. Nor can Hanoi secure Western loans or aid, because of an economic embargo imposed against Vietnam following its invasion of Cambodia in 1978. [redacted]

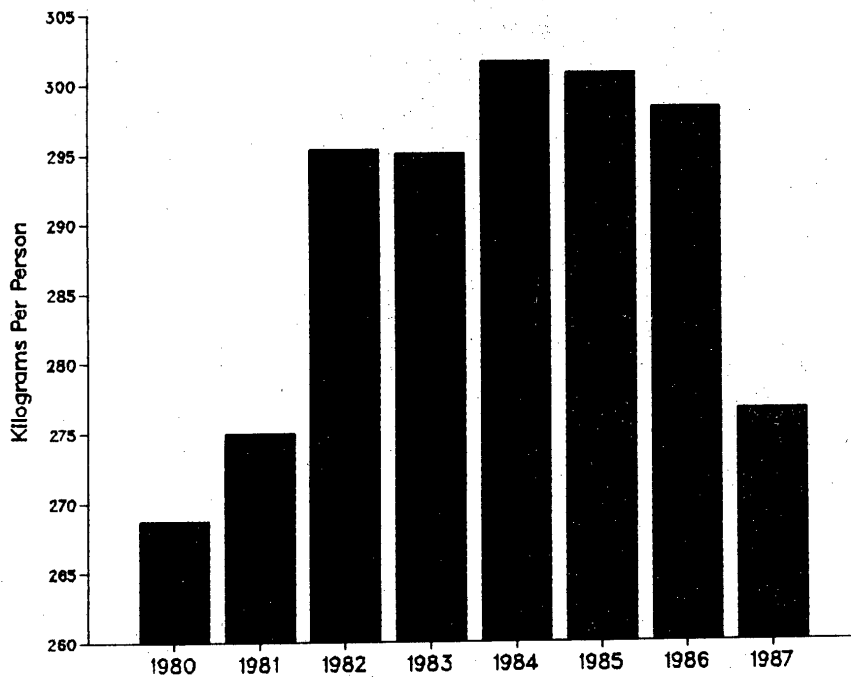
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Hanoi's piecemeal attempts to address its economic woes have in some cases only aggravated the situation. For example, it issued large denominations of currency last March to facilitate handling substantial sums of money; but instead the measure created panic as inflation-sensitized consumers unloaded their currency in favor of dollars, gold, and commodities. Overall, consumer prices are rising at an annual rate of 1,000 percent for the third straight year. Although the dong's official rate remains 368 to the US dollar, the black market rate, on which the economy really operates, has gone from 1,100 dong in January, to roughly 3,000 dong to the dollar this month. [redacted]

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Vietnam: Per Capita Grain Consumption



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Poor weather conditions, insect infestation, and a shortage of fertilizer have caused the decline, according to the Vietnamese press. By Hanoi's admission, its agricultural policies have also discouraged production. Peasants, who are required to turn over surplus production to cooperatives, for example, often produce only enough to support their families. Low state-set prices have both discouraged production and encouraged farmers to leave the land for better paying jobs in industry. [redacted]

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Nor have the market-type agricultural reforms, which Hanoi introduced with some success in 1981, proved capable of stemming the decline. Tax incentives, a hike in state agricultural procurement prices, policies enabling farmers to lease unused cooperative land, and the introduction of the "product contract" system--allowing peasants to sell above-quota production on the free market--led to a 20 percent increase in grain production between 1980 and 1983. By 1984, however, the gains were already being offset by mounting economic and weather problems. [redacted]

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Attempts To Cope

The government is attempting to move grain northward to the most severely affected provinces (see map) from the agriculturally more productive south. With motor vehicles and rolling stock in short supply and poor condition, roads in disrepair and cargo handling capacity at ports extremely limited, movement has been slow and difficult. To speed shipment of 138,000 tons of rice during March and April, for example, the authorities canceled almost 20 local train runs, according to press reporting. Nevertheless, only 10 carloads of grain depart southern Vietnam daily rather than the 29 intended. [redacted]

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An indication of the severity with which Hanoi views the shortage is its willingness to expend critically short foreign exchange to acquire rice on the international market to soften the impact of its production shortfall. Recently Vietnam purchased 18,000 tons of rice from Hong Kong. [redacted]

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[redacted] The Vietnamese are also having difficulty finding enough ships to handle small rice cargoes of 5,000 tons. [redacted]

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Requests for Assistance

Hanoi's appeal to its Socialist allies for assistance has gone largely unheeded. After repeated requests to Moscow for 200,000 tons of rice, the Soviets in March acquired 60,000 tons of Thai rice for Vietnam. [redacted] Other Bloc countries have so far failed to provide any assistance. [redacted]

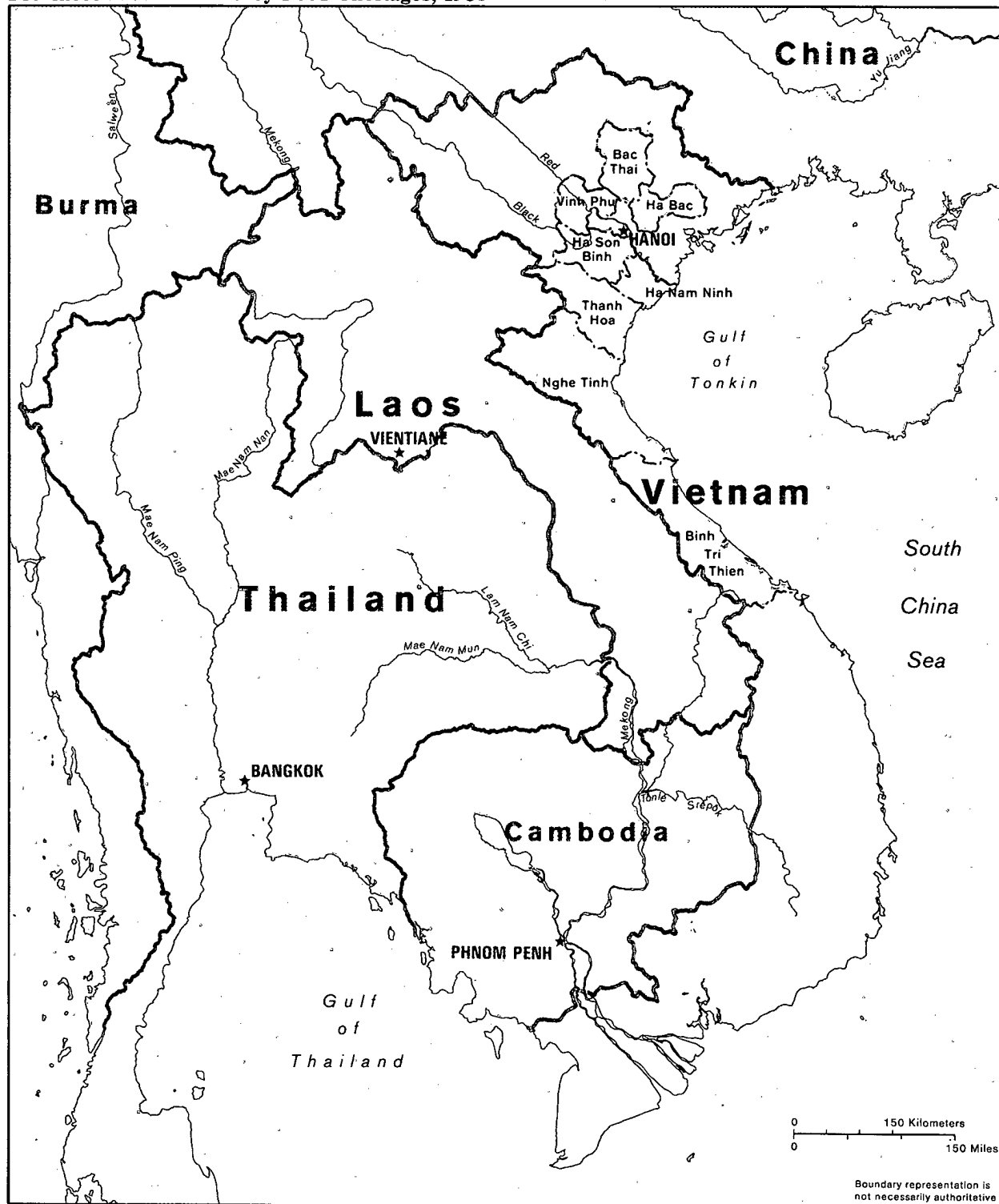
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As was the case during the last major food crisis in 1978-79 (see Box), the West is also being asked to provide emergency support. We believe this request is as much an effort to weaken the US-backed ASEAN economic embargo as to meet a critical need. In April, Hanoi approached Australia, Thailand, West Germany, and the United Kingdom for fertilizers and insecticides worth more than \$122 million. Unlike food relief,

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Provinces Most Affected by Food Shortages, 1988



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which could be provided in an emergency without violating the embargo, aid donors consider fertilizers and insecticides developmental assistance that is expressly prohibited. Thailand rejected the request outright, and succeeded in getting the other countries to follow suit, [redacted] So far, Hanoi's requests have brought only 10,000 tons of grain from the European Community, 1,200 tons of rice from Australia, and a pledge of \$4 million in emergency aid from Sweden. [redacted]

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Vietnam: 1978-79 Food Shortage

Severe weather in the fall of 1978 caused a serious food crisis in Vietnam that forced Hanoi to turn to the international community for assistance. Vietnamese officials claimed that floods and insects destroyed an estimated 2.6 million metric tons of rice. Peasants were mobilized to drain affected rice fields, patch dams and dikes, and replant subsidiary food crops destroyed by flood water. Faced with millions of citizens in 17 of Vietnam's 38 provinces on the brink of starvation and the next harvest season still seven months away, the government appealed to the international community for emergency relief aid in the form of food, medicine, seeds, fertilizer, insecticide, and agricultural machinery. Several countries and international organizations responded. The Philippines sent 1,500 tons of rice, the Netherlands 8,600 tons of rice, the World Food Program provided 11,380 tons of wheat flour, and Australia gave 500 tons of rice and 9,300 tons of wheat flour. [redacted]

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We believe, Vietnamese officials have attempted to pressure potential Western donors by exaggerating the severity of their agricultural problems. In early May, Hanoi requested that the United Nations Development Program (UNDP) and Food and Agriculture Organization arrange immediate shipment of 120,000 tons of rice, claiming that 250,000 people in several northern provinces had died, and that another 3 to 8 million were "near starvation." Perhaps recognizing the requests as perfidious, representatives of the international organizations in Hanoi argued that the Vietnamese bureaucracy had waited too long to ask for food, and that, even if the requested amounts were provided, Vietnam's weak infrastructure and poor distribution system made it unlikely that food would arrive in time to help anyone facing immediate starvation. [redacted]

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Outlook

Despite Hanoi's claims and its ongoing weather problems, we do not believe Vietnam faces widespread famine this year. Local shortages often occur because growing conditions differ throughout the country and because of the absence of a free market to satisfy supply and demand. Indeed, [redacted] the rice shortage is not as severe as predicted, although Hanoi still needs large amounts of foreign rice, [redacted] Vietnamese authorities now claim that

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[redacted]

they will be able to ship 2 million tons of southern rice to the north. Using Vietnamese data, United Nations Development Program (UNDP) representatives estimate that Vietnam needs 65,000 tons of food aid over July and August. Of that amount the World Food Program could provide between 20,000 and 30,000 tons with the remainder provided by other international donors. [redacted]

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Unconfirmed Vietnamese reports of deaths are extraordinarily high and are suspect because Hanoi has made no apparent government mobilization to meet such a crisis, by for example, confiscating private rice supplies and using the military to transport it northward. Furthermore, while travellers into Vietnam and fleeing refugees confirm that certain regions are suffering from grain shortfalls, we have no reports indicating mass starvation. Most likely some northern provinces, whose populations are constantly near the subsistence level, are experiencing serious shortfalls that Hanoi is unable to meet by purchasing and transporting rice supplies from the south. [redacted]

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Implications

Moscow's unwillingness or inability to meet Vietnam's grain shortfall is likely, in our view, to increase Hanoi's skepticism about its heavy reliance on the Soviet Union. Even before Moscow's latest cold shoulder, Hanoi had been moving to end its diplomatic isolation and to strengthen its ties to the West by initiating a unilateral withdrawal of its forces from Cambodia; passing a foreign investment law permitting, for the first time since the Communist takeover, foreign ownership of Vietnamese firms; and releasing 6,400 reeducation camp inmates including 1,000 officials of the former South Vietnamese Government. We believe Hanoi's efforts to reduce its dependence on Moscow are likely to accelerate. [redacted]

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Nor would a US refusal to provide aid, in our judgment, stem Vietnam's diplomatic offensive, and its efforts to improve relations with Washington. Establishing diplomatic ties with the United States remains a key goal of Hanoi's foreign policy. During previous shortfalls, Hanoi has expressed displeasure with the United States over its lack of food aid. In our judgment, however, Hanoi does not expect US food aid this time, and is unlikely to play up a US rejection by temporarily suspending cooperation with the United States on other issues such as MIAs, political prisoners, and emigration. [redacted]

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The food shortage may actually strengthen the position of reform advocates within the government. Hanoi recently dismissed three vice premiers from the Council of Ministers, in part because of poor performance in implementing agricultural reforms. The dismissals and the extent of the current economic problems may give impetus to additional change. In April, for example, the Politburo announced dramatic policy changes to boost agricultural production in the longer run. One measure grants peasants the right to use land for their own purposes for up to 15 years. Previously peasants could hold land only for five years, which made them reluctant to invest money or effort in irrigation or to improve land fertility. Another provision allows peasants to leave state-run farm cooperatives, the cornerstone of Hanoi's agricultural system for three decades, to undertake private farming. Local government organizations were also told to

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[redacted]
remove corrupt cadres from cooperatives and to no longer harass private farmers. [redacted]
[redacted]

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Looking ahead it is possible that Hanoi could use its promise of withdrawal from Cambodia to bargain for additional food aid from Western nations. If Vietnam's food supply is indeed precariously balanced between subsistence and malnutrition, Hanoi faces a serious dilemma in feeding the troops it is in the process of withdrawing from Cambodia. Since last November Hanoi has brought back 15,000 to 20,000 soldiers from Cambodia and intends to remove another 50,000 this year. For the most part, these soldiers obtained their food from Cambodian, rather than Vietnamese, sources. Our rough estimation is that the repatriated soldiers will add another 20,000 tons to Vietnam's food demand this year. [redacted]

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[redacted]
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VIETNAM: STRUGGLING WITH FOOD SHORTAGE

DISTRIBUTION:

NATIONAL SECURITY COUNCIL

- 1 - JAMES A. KELLY SENIOR STAFF MEMBER EAST ASIA RM 493
OLD EXECUTIVE OFFICE BUILDING
- 1 - RICHARD CHILDRESS DIRECTOR OF ASIAN AFFAIRS RM 392
OLD EXECUTIVE OFFICE BUILDING

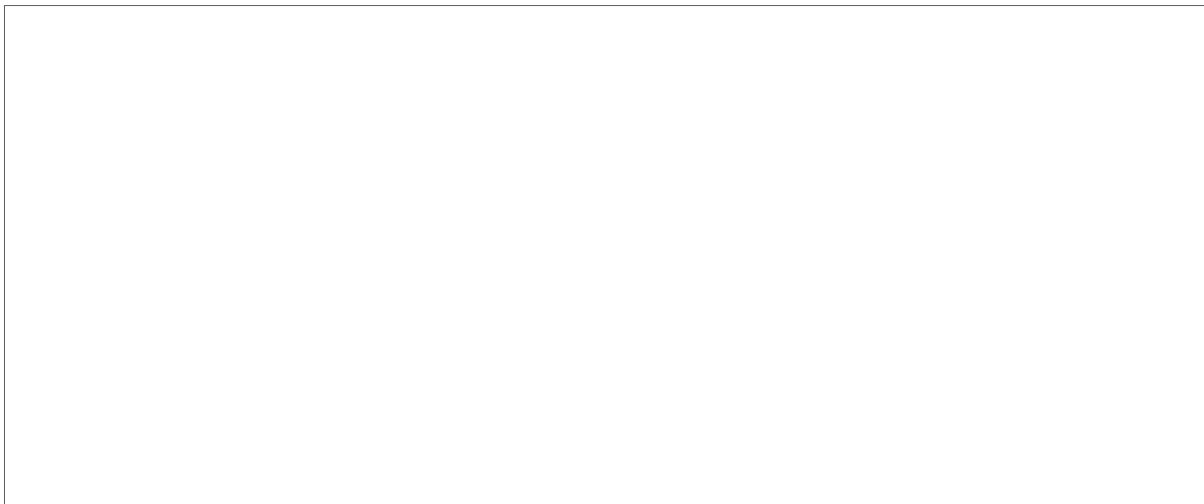
DEPARTMENT OF STATE

- 1 - DAVID LAMBERTSON DEPUTY ASSISTANT SECRETARY FOR EAST
ASIAN AND PACIFIC AFFAIRS RM 6205 DEPARTMENT OF
STATE
- 1 - VICTOR TOMSETH DIRECTOR, OFFICE OF THAILAND & BURMA
AFFAIRS RM 5206 DEPARTMENT OF STATE
- 1 - WILLIAM DAVNIE OFFICE OF ANALYSIS FOR EAST ASIA AND
PACIFIC, SEA DIVISION RM 8647 DEPARTMENT OF STATE
- 1 - DOROTHY AVERY OFFICE OF ANALYSIS FOR EAST ASIA AND
PACIFIC, SEA DIVISION RM 8647 DEPARTMENT OF STATE
- 1 - PAULA CAUSEY OFFICE OF ANALYSIS FOR EAST ASIA AND
PACIFIC, SEA DIVISION RM 8647 DEPARTMENT OF STATE
- 1 - DIRECTOR OFFICE FOR INDONESIA, MALAYSIA, BRUNEI, AND
SINGAPORE AFFAIRS RM 5206 DEPARTMENT OF STATE
- 1 - JEFFREY MILLINGTON DIRECTOR, OFFICE OF VIETNAM,
LAOS, AND CAMBODIA RM 6808 DEPARTMENT OF STATE
- 3 - ROBERTA NEWELL OFFICE OF ANALYSIS FOR E. ASIA &
PACIFIC RM 5210 DEPARTMENT OF STATE
- 1 - WILLIAM CLARK JR DAS FOR EAST ASIAN AND PACIFIC
AFFAIRS RM 6205 DEPARTMENT OF STATE

DEPARTMENT OF DEFENSE

- 1 - JOHN J. SLOAN DEFENSE INTELLIGENCE OFFICER, EAST
ASIA AND PACIFIC RM 2C238 PENTAGON
- 1 - LEW STERN ASST. FOR THAI, BURMA, VIETNAM, LAOS, AND
CAMBODIA OSA/ISA/EAPR RM 4C839 PENTAGON
- 1 - LTCOL EDWARD HAYDASH HQDA (DAMI-FII) RM 2A474
PENTAGON
- 1 - MAJ FRANCIS DONG, USA J5 FESA RM 2E973 PENTAGON
- 1 - LTCOL WILLIAM WISE ASSISTANT FOR REGIONAL POLICY AND
CONGRESSIONAL AFFAIRS RM 4C839 PENTAGON

1 - KARL D JACKSON DAS FOR INTERNATIONAL SECURITY
AFFAIRS RM 4E816 PENTAGON



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DEPARTMENT OF COMMERCE



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1 - BETSY HUDSON RM 6854 DEPARTMENT OF COMMERCE

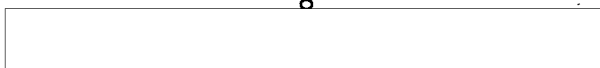
AGENCY FOR INTERNATIONAL DEVELOPMENT

1 - KARL SCHWARTZ ANE/EA/TA RM 6510-A DEPARTMENT OF
STATE

CENTRAL INTELLIGENCE AGENCY

- 1 - CHIEF OFFICE OF EAST ASIAN ANALYSIS CHINA DIVISION
RM 4G20 HEADQUARTERS
- 1 - RESEARCH DIRECTOR OFFICE OF EAST ASIAN ANALYSIS RM
4F18 HEADQUARTERS
- 1 - ANALYTIC GROUP NATIONAL INTELLIGENCE COUNCIL RM
7E47 HEADQUARTERS
- 1 - DIRECTOR OFFICE OF EAST ASIAN ANALYSIS RM 4F18
HEADQUARTERS
- 1 - DDI RM 7E44 HEADQUARTERS
- 1 - SENIOR REVIEW PANEL RM 7B42 HEADQUARTERS
- 1 - PRESIDENT'S DAILY BRIEF STAFF RM 7E30 HEADQUARTERS
- 1 - EA NATIONAL INTELLIGENCE OFFICER RM 7E62
HEADQUARTERS
- 1 - CHIEF EA, RM 5D00 HEADQUARTERS

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- 1 - INTELL. SUPPORT STAFF OFFICE OF CURRENT PRODUCTION & ANALYTIC SUPPORT RM 7G50 HEADQUARTERS
- 6 - CONTROL BRANCH OFFICE OF CURRENT PRODUCTION & ANALYTIC SUPPORT, IMC RM 7G07 HEADQUARTERS
- 1 - SPEC ASSIST DISSEM ANAL OFFICE OF CURRENT PRODUCTION & ANALYTIC SUPPORT RM 7G50 HEADQUARTERS
- 1 - DIRECTOR, DCI/DDCI EXECUTIVE STAFF RM 7E12 HEADQUARTERS
- 1 - DDO RM 7E22 HEADQUARTERS
- 1 - CHIEF PRODUCT EVALUATION STAFF RM 2G25 HEADQUARTERS
- 1 - CHIEF LDA/EA RM 1H18 HEADQUARTERS
- 1 - PRODUCTION OFFICER OFFICE OF EAST ASIAN ANALYSIS RM 4G48 HEADQUARTERS
- 1 - [REDACTED] SOUTHEAST ASIAN ISLANDS BRANCH RM 4F38 HEADQUARTERS

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- 1 - [REDACTED] SOUTHEAST ASIA INDOCHINA, THAILAND, MALAYSIA RM 4F42 HEADQUARTERS
- 1 - [REDACTED] OFFICE OF EAST ASIAN ANALYSIS SOUTHEAST ASIA DIVISION RM 4F42 HEADQUARTERS
- 1 - [REDACTED] OFFICE OF EAST ASIAN ANALYSIS SOUTHEAST ASIA DIVISION RM 4F42 HEADQUARTERS
- 1 - CHIEF OFFICE OF EAST ASIAN ANALYSIS NORTHEAST ASIA DIVISION RM 4G43 HEADQUARTERS
- 1 - CHAIRMAN NATIONAL INTELLIGENCE COUNCIL RM 7E62 HEADQUARTERS
- 1 - DDO EAST ASIA DIVISION [REDACTED] 5C18 HEADQUARTERS

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