have come under the influence of the Viet Cong. In 1965 the Depart­
ment of Information and Open Arms dispatched some 7,450 psycho­
logical warfare workers to the villages in the Mekong Delta area. Traveling in teams of 100, the workers spent several nights in each village or hamlet, studied the peasants' needs and assisted in recon­struction projects. Using speech and song they explained the purpose of new government programs, interpreted political developments, countered Communist propaganda and encouraged the farmers to participate in the defense of villages and hamlets.

Cultural troupes of signing minstrels and musicians are dispatched by the VIS to remote villages, including those in the Highlands inhabited by montagnards. Through musical and dramatic allegories the entertainers denounce the misdeeds of the Viet Cong and extoll the joys of life during peacetime. The presentation is followed by a more direct exhortative message on the need to support the govern­ment in its fight for peace, delivered by the local chief of the Psycho­logical Operations Committee. Sometimes the minstrels perform in conjunction with film showings presented by mobile VIS units. The films feature color travelogues, market scenes, agricultural informa­tion and newsreels showing United States military power. Other means aimed at regaining the loyalty of dissident peasants are local improvements benefiting agriculture, health and education (see ch. 8, Living Conditions).

The government's major effort in this field is the "Open Arms" (Chieu Hoi) program administered and directed by the Department of Information and Open Arms. The program is designed to en­courage members of the Viet Cong to desert, return to their former homes and assist in the counterinsurgency activities. Leaflets urging the Communists to defect are scattered over Viet Cong­controlled territory by Vietnamese and United States aircraft. Messages offering incentives and encouragement to those who turn themselves in to Open Arm stations located throughout the countrys­ide are transmitted from helicopters equipped with loudspeakers. The returnees are given full amnesty and are placed in one of 200 camps which are maintained for them. In the camps they receive food and clothing and attend political reeducation courses. After 4 to 6 weeks and sometimes longer they are released and usually return to their native villages. Others join the South Vietnamese Army or participate in psychological warfare campaigns to induce other Viet Cong members to defect.

According to official reports, the number of Viet Cong defectors has steadily increased since 1965. In that year, almost 45,000 Viet Cong insurgents defected, more than double the number for the previous year. Among them were tax collectors, village officials and some soldiers from the regular North Vietnamese army.
In 1966 foreign information activities of South Vietnam were conducted on a limited scale. The government’s major effort had been to strengthen the facilities for broadcasting to foreign countries. Broadcasts intended for North Vietnam and for neighboring Cambodia, Laos and Thailand are transmitted mainly from stations close to peripheral areas, notably Hue and Quang Tri. Radio Hue’s “Voice of Freedom” broadcasts, intended mainly for North Vietnam, are transmitted for 16 hours daily. One channel of Radio Saigon, operated by the South Vietnamese Army, also broadcasts “Voice of Freedom” programs. Information officers assigned to embassies of South Vietnam distribute newsletters, brochures and other printed material to interested individuals and groups.

North Vietnam is also reached by leaflets and pamphlets dropped by South Vietnamese and United States aircraft. In 1965 the leaflets stressed the North Vietnamese Government’s complicity with Communist China in the economic exploitation of the country, in return for Chinese-made weapons, and contrasted economic and social progress in the South with the dire conditions prevailing in North Vietnam.

COMMUNIST INFORMATION ACTIVITIES

North Vietnam carries out a major part of its propaganda against South Vietnam through the so-called National Front for the Liberation of South Vietnam (NFLSV) to which it gives direction and material support. The propaganda channels at the disposal of the Front are the Liberation News Agency, Liberation Radio and the South Vietnam Liberation Motion Picture Company (see ch. 14, Political Dynamics).

In 1965 the Liberation News Agency (LNA) claimed to publish some 40 national and regional newspapers and 17 periodicals. Nhan Dan (The People), best known among the newspapers, is an organ of the People’s Revolutionary Party, a dominant member of the Front. The LNA also publishes an extensive daily bulletin dealing with NFLSV activities and various pamphlets. Some of the newspapers and other publications are printed in the Viet Cong-controlled zones and are passed from hand to hand.

The Front’s clandestine broadcasting facility, Liberation Radio, broadcasts 56 hours weekly in Vietnamese and 3½ hours per week each in Mandarin, Cantonese and Cambodian. A 15-minute weekly broadcast in English is intended for United States servicemen. Liberation Radio broadcast a week of special 2-hour programs daily from December 15 to December 22, 1965, commemorating the fifth anniversary of the establishment of the Front. In 1966 the total number of weekly broadcasting hours on Liberation Radio was increased to 67.
Propaganda films and newsreels are shown by mobile units of the so-called South Vietnam Liberation Motion Picture Company in Viet Cong-controlled areas.

In addition to the formal media utilized by the Front, members of the Viet Cong engage in propaganda activities which are adapted to local conditions. Trained in the tactics of combined political and military warfare, they distribute mimeographed handbills, song sheets, banners, printed tracts and crudely lettered signs in the villages. They are also instrumental in dispatching agitation and propaganda teams, delivering speeches and calling for demonstrations on public address systems and loudspeakers. Often the Viet Cong present themselves to the villagers as peasants who, in indignation at the alleged abuses of a “corrupt regime,” are fighting for a better life for the farmer and for the true independence of the country. Resentments of the population, whether manifested against the conduct of local officials, living costs or United States military operations in the area, are thoroughly exploited. In its dealings with the montagnards the Viet Cong has employed both coercion and inducements. In an effort to gain their confidence and cooperation Viet Cong agents have moved in to live with montagnard groups, learned their languages, married local women and promised the highlanders autonomy under North Vietnamese rule.

Direct Communist propaganda from North Vietnam reaches the country mainly through broadcasts. Radio Hanoi’s “Voice of Vietnam,” transmitted on shortwave and mediumwave, broadcasts several programs which are intended mainly for South Vietnam. At the end of 1965 the weekly number of broadcasting hours in Vietnamese by Radio Hanoi totaled 67 hours and 15 minutes. Included in these programs was a thrice-weekly half-hour “Program for Southern Youth and Students,” and 12 hours and 15 minutes of weekly transmissions in montagnard languages, notably in Jarai and Rhade. Little is known about the effectiveness of Hanoi’s radio propaganda in the South. It appears, however, that it has considerable influence on the attitudes of Viet Cong insurgents regarding conditions in North Vietnam and the war in the South. Weekly broadcasting output in English totaled 14 hours and included two daily 15-minute propaganda programs aimed for United States servicemen in South Vietnam.

Radio Moscow broadcasts 21 hours a week in Vietnamese. Radio Peking’s Vietnamese-language broadcasts increased from 28 hours a week in 1964 to 31½ hours in 1965.

In 1965 and 1966, Communist propaganda continued to play upon nationalist feelings by constant repetition that the United States represented “imperialist aggression” and was the “real enemy of the Vietnamese people.” Because of the intensified military activity, the
United States was no longer referred to as a "paper tiger" in the propaganda vocabulary of the Viet Cong. Extensive use was made, on the other hand, of atrocity themes in connection with United States military operations. Another basic propaganda theme has been the defamation of the South Vietnamese Government as a puppet of the United States which lacks popular support. At the same time, the Front is extolled as a patriotic and truly representative popular movement. Because Communist appeals dealing with peace, independence, patriotism and national liberation have been relatively ineffective, Front and Viet Cong propaganda agencies in 1966 turned increasingly to the exploitation of everyday issues. Almost daily, they referred to conscription, house evictions, economic shortages, the rising living costs and similar issues, which they regard as sources of popular concern in South Vietnam.

Ancillary propaganda campaigns generally took the form of face-to-face agitation by members of the Viet Cong encouraging the rural population to join the guerrilla movement or to support its operations through donations of food and the purchase of Viet Cong war bonds. The Viet Cong also issued threats and warnings against reading leaflets disseminated by the South Vietnamese Government and listening to Saigon broadcasts.

**UNITED STATES AND OTHER WESTERN INFORMATION ACTIVITIES**

The United States leads the non-Communist nations in providing information activities in South Vietnam. The United States program is carried out chiefly by the Joint United States Public Affairs Office (JUSPAO), an interagency organization created in May 1965 which incorporates USIS Vietnam, the Communications Media Division of the United States Agency for International Development, and specialists from the Military Assistance Command Vietnam. The JUSPAO field representatives are based at the headquarters of the four military regions and at 38 provincial locations covering all 44 provinces.

American Cultural Centers are maintained by JUSPAO at Can Tho, Da Lat and Da Nang. Vietnamese-American Associations operate in Saigon, Cho Lon, Da Nang, Nha Trang, Da Lat and Can Tho. The Centers and Associations inform the South Vietnamese people about the United States through books, films, periodicals, tape recordings and other channels. The JUSPAO cooperates with and supports activities of the VIS in its provincial branches and provides printed material, records and films for showings in the provinces by VIS mobile units.

The JUSPAO distributes the *American Cultural Journal* in Vietnamese, a scholarly quarterly journal intended for intellectuals, *World*
Today, a Chinese-language periodical published every other week, Free World, a monthly magazine designed for high school level readers, and another monthly, Quest, also intended for youthful readers, and Rural Spirit, a monthly magazine designed for a peasant audience.

The Voice of America broadcasts Vietnamese-language programs 5 1/2 hours daily, including Sunday. The programs feature news, interviews and musical entertainment.

Information activities of France and the United Kingdom have been considerably reduced since 1962. France maintains no official representative, although some information concerning France is available to the South Vietnamese through the Alliance Française, a cultural organization which still operates.

The British Council, similar to the Alliance Française, functions with a small membership in Saigon. Information concerning the United Kingdom is available from the press officer assigned to the British Embassy.
CHAPTER 17

POLITICAL VALUES AND ATTITUDES

The struggle for independence from French rule served to unite many different political groups and elements of the population in a common cause and reinforced the older sense of national unity based on ethnic, linguistic and historical ties. Since independence, however, official efforts to evoke the same patriotic sentiments from among the population proved to be less successful, and the divisive patterns of political orientation are frequently manifest (see ch. 14, Political Dynamics).

In the rural areas, where nearly 80 percent of the people live, family and village loyalties affect attitudes toward the Saigon government. Urban dwellers are on the whole more politically motivated than the peasantry, but because of the lack of orderly means of expressing themselves effectively, many remain indifferent toward the government (see ch. 14, Political Dynamics).

Political values, if definable at all, are largely traditional in content. Principles and related political practices originating in the West have not taken root and exert little influence on the political scene. Moreover, because of the prolonged conflict between government forces and the Viet Cong, the political attitudes of most people are strongly conditioned by physical security considerations. Having been continually subjected to wartime conditions and accompanying tensions and stresses, the people have come to regard flexible adjustments to unpredictable and changing situations as the best guarantee of physical survival. As a result, overt expressions of allegiance to either the Saigon regime or the Viet Cong are often likely to be ephemeral and, hence, cannot be taken for granted as proof of positive commitment.

VALUE ORIENTATIONS

In broad outlines two types of value patterns, the traditional and Western, are discernible. Fusion or integration of the two elements into a workable arrangement geared to the South Vietnamese society is yet to take place.

Traditionally, Vietnamese beliefs concerning the ideal political order were shaped by the Confucian philosophy of government. Essentially, according to this philosophy, the ruling class was to be virtuous and benevolent toward the people. If officials conducted
themselves in an exemplary manner, it was believed that the people would unquestioningly obey them. This view was epitomized in a popular saying: "If the water is clean upstream, it will be likewise downstream." Thus, the quality of government, whether good or bad, was attributed mainly to the moral quality of the officials.

Because of this background, many people are inclined to assert that the emergence of a truly dedicated and capable national leadership, preferably civilian, would significantly stimulate popular enthusiasm for the central government. This emphasis on personality factors has led to the underdevelopment of political norms based on impersonal, formal institutional relationships or on abstract ideological considerations. Political tensions in South Vietnam, therefore, are often less the results of differences stemming from political beliefs than of personal clashes between and among political leaders themselves (see ch. 14, Political Dynamics).

Exposure to Western political values is of more recent origin. Moreover, during the past several decades, only a few educated Vietnamese became familiar with the Western concepts of individual rights, political freedom and representation and of accountability for public officials.

These educated elements, most of them urban in origin, came to play the leading role in the nation's public affairs, but they were unable to transform the Western values into a way of political life combining Vietnamese and Western features. This is partly because the contact between the traditional and Western value system was largely on a theoretical level without the benefit of actual experimentation. Under President Diem's authoritarian rule, the constitutional system, which was patterned after Western models, seldom functioned as initially conceived. Coupled with the disruptive impact of Viet Cong insurgency on nearly all facets of national life, the applicability of the Western political values and practices to South Vietnam came to be questioned by even the most educated and articulate political elements of the country (see ch. 13, The Governmental System; ch. 14, Political Dynamics).

Another factor of significant political consequence is the popular concept of suppleness and flexibility. Although it has a traditional basis deriving from the Confusion notion of social harmony and aversion to extremist attitudes, it has been reinforced by the distressing events of the past two decades (see ch. 12, Social Values). Over the years the importance of flexible adaptation to shifting political and other conditions has taken on the character of a virtue or a value. Some South Vietnamese tend to regard this flexibility almost as a national tradition; for example, they attribute their country's survival from foreign domination to their ancestors' political suppleness and cultural eclecticism. They assert that, combined with their fore-
fathers' military prowess, it was Vietnam's calculated flexibility, in relation to the dominant powers, which enabled the country to preserve its common heritage—bowing before superior power in the manner of bamboos bending with the wind but rebelling against it wherever possible (see ch. 3, Historical Setting).

**Patriotism and Unification**

Patriotic sentiment among a small number of politically articulate South Vietnamese, young and old, is strong enough to cause a general dissatisfaction with the existing partition of the country. In early 1966, however, this feeling was not powerful enough to evoke a spontaneous movement for immediate reunification. Refugees from the North, many of them Catholics with members of their family left behind in the North, were nostalgic for the region of their origin; but very few, if any, expressed wish for unification under a Communist regime or on terms which might lead to a Communist takeover. Relatively small groups of militant students and young Buddhists, however, were known to favor some sort of neutralist solution (see ch. 14, Political Dynamics).

Officially, the Saigon government's highest political goal continued to be national reunification to be brought about by the freely expressed will of the people throughout North and South Vietnam. The government, in periodic formal statements, has sought to inspire patriotic sentiment in favor of reunification. Because of the grave threat posed by Viet Cong insurgency, however, governmental leaders became increasingly concerned with the immediate problem of national survival. Coupled with the growing popular awareness that both North and South Vietnam are committed to mutually exclusive systems of political and social order, reunification as a symbolic concept for patriotism has lost much of its original meaning.

**Loyalty and National Symbols**

For the vast majority of the population, their allegiance, as in the centuries past, is directed to the family and, to a lesser degree, the village. Traditionally, the small world of each village composed of varying numbers of tightly knit kinship groups was economically self-sufficient, and, politically, its members followed the age-old custom of village self-administration (see ch. 6, Social Structure; ch. 13, The Governmental System).

Beginning in 1956 village administration was subjected to direct control of the central government, partly as a means of instilling in the people a sense of loyalty toward the nation and partly as a means of effectively extending governmental authority into the heretofore isolated rural communities. An increasing number of peasants and
urban dwellers have become conscious of their status as citizens of South Vietnam with accompanying duties toward the Saigon regime. Nonetheless, for much of the population, the concept of nationhood in the abstract and loyalty to it are still in an incipient state.

National symbols are slowly but steadily gaining in effectiveness as stimulants for forging a sense of national identity and patriotism. This is especially the case among students who have experienced the daily practice of singing the national anthem and saluting the flag. The flag of the Republic of Vietnam is a solid yellow rectangle with three horizontal red stripes across the center. The yellow background is the symbolic color of the former imperial dynasty and of the Buddhist faith; the red stripes represent the union of the country’s traditional regions (ký): North, Central and South Vietnam.

The national coat of arms is a triangular shield with bamboo reeds (representing resiliency and strength) in the background. The word VIET-NAM is inscribed on a banner which is superimposed on the reeds; at one end it encircles a writing brush, symbol of the scholar, and at the other end, a sword, symbol of the military. This design, shortly after the founding of the Republic in 1955, replaced a dragon signifying the mythical national origin.

South Vietnam’s national anthem, composed initially as a patriotic college song by a Hanoi student in 1943, gained widespread popularity throughout the country after World War II. It was officially adopted by the State of Vietnam in 1949 and continues to be the official anthem of the Republic. The text of the anthem, entitled “Appeal to Youth” (Tiêng Goi Thanh Nien), is as follows:

Youth of Viet-Nam,
This is the time we must liberate our country
Let us all march forward and if need be, repay our nation with our lives
So that our beloved Viet-Nam will forever remain free and secure
Even if we should perish on the battlefield
We should shed our blood to defend the honor of our country
In the time of crisis we must defend our nation and,
We, the youth of the nation, must remain firm and determined
To fight for our country so that everywhere the good name of Viet-Nam
will live for ever.

My friends, let us close ranks under the banner
My friends, let us rid our fatherland of all the destructive forces
And live up to the glorious heritage of our Loa Hong origin.

Holidays are also a means of conveying a sense of national unity in symbolic form. The founding of the Republic in October 1955 and the promulgation of the Constitution a year later were celebrated on October 26 until 1963. Since President Ngo Dinh Diem’s regime was overthrown on November 1 (1963), that date is celebrated as National Day (frequently referred to as Revolution Day). Premier Ky proclaimed in 1965 that the date on which the Geneva Agreement on Vietnam was signed, July 20, previously called “Shameful Day,”
be celebrated as "National Unity Day for the Liberation of North Vietnam."

The most important traditional holiday is Tet, or lunar New Year, on which the Vietnamese are reminded of their cultural heritage. This occasion, partly religious in character, brings all business to a complete halt for 3 or 4 days, always on the first day of the first month by the lunar calendar. Traditional usages are observed, obeisance is made to the ancestors; debts are paid and a fresh start is pledged for the new year. Another important holiday, the sixth day of the second lunar month commemorates the Trung sisters, who led a revolt against the ruling Chinese in A.D. 30.

National commemorative days, though not celebrated as holidays, honor certain Vietnamese patriots. One, on the twentieth day of the eighth lunar month, honors Marshal Tran Hung Dao, who defeated the armies of Kublai Khan in the thirteenth century; another, on the twenty-second day of the eighth lunar month, honors King Le Loi, who drove out the Chinese after their second occupation in the fifteenth century (see ch. 3, Historical Setting). The birthdays of Buddha and Christ are officially recognized as religious holidays. A commemorative celebration of Confucius' birthday also has been established by the government.

ATTITUDES TOWARD GOVERNMENT AND THE VIET CONG

The vast majority of the people have little notion and still less experience of representative government and related political processes. Members of an educated, urban minority, familiar with constitutional concepts and influenced by democratic ideals, are eager for a larger voice in national affairs. They are apt to be anti-Communist and to dominate politics and government. They believe, however, that mere promulgation of a constitution or creation of formal representative institutions cannot alone bring about a viable democratic political order. They see time and successful counterinsurgency efforts against the Viet Cong as preliminary essentials, but many of them believe that steps should be taken to broaden the base of popular support for the government in some as yet undetermined manner (see ch. 13, The Governmental System; ch. 14, Political Dynamics).

To a majority of the rural population, the national leadership represents the remote authority of a central government with which they are only indirectly concerned and know mainly through the provincial administration. For many, their only contact with the state is with its taxing power and security measures, which have sometimes been applied in peremptory fashion by military officers. Fully aware that such irritants and sources of resentment make for vulnerability to Viet Cong propaganda attacks, governmental leaders in 1966 were vigor-
ously attempting to establish closer relations with the rural population. There were indications that some villagers were responding favorably to such efforts, but most of them still tended to prefer noninvolvement as the best means to insure their personal security.

During the past few years both the Viet Cong and the government have competitively exerted themselves to win over the peasants. The Viet Cong used terror and coercion while the government sought to extend effectively its educational, health and social welfare programs. Many of the rural people preferred, wherever possible, to stay outside of the conflict, the real nature of which was not readily comprehensible to them. Where a noncommittal position was impossible, as when they were confronted with the armed authority of the competing contestants, many of them flexibly yielded to pressures. Some fled from the Viet Cong to areas under government control. Most of those who cooperate with the Communists appear to do so out of fear without genuinely endorsing or comprehending what the Communists preach (see ch. 26, Public Order and Safety).
SECTION III. ECONOMIC

CHAPTER 18

CHARACTER AND STRUCTURE OF THE ECONOMY

South Vietnam has an agrarian economy based largely on rice cultivation. Farming is the principal occupation of the people, and rice and rubber are the usual items of export. The next most important sector of the economy is trade, both domestic and foreign, which is centered on the Southeast Asia entrepôt of Saigon-Cholon. Industry, consisting mostly of food processing plants and factories producing consumer goods, though still small in size, is expanding but is hampered by a power shortage. Commercially exploitable natural resources are limited.

The economy is far from self-supporting and is heavily dependent on foreign aid. The United States is the foremost donor and has financed the development of the defense establishment and the reconstruction of roads, railroads, canals, ports and airfields heavily damaged or destroyed in the Indochina War. It has supported the currency, met the large deficit in the balance of payments and supplied the equipment and credit for the development of agriculture, industry, power and transportation. It also has provided funds for carrying out new projects in many other fields. As South Vietnam has come under increased Viet Cong (see Glossary) attack, United States aid has been expanded in order to continue past programs in support of the deteriorating economy and to finance additional activities designed to counter the insurgency.

Productivity and per capita income are generally low, even in Asian terms. Most of South Vietnam’s 16.1 million people are farmers living in scattered villages and hamlets which are largely concentrated in the Mekong Delta, the most fertile area of the country, and along the coast in the flood plains of the Central Lowlands.

Of 7.6 million acres under cultivation, between 6.2 and 6.4 million are in irrigated rice which is grown in small plots called paddys. Annual rice production is estimated at 5 million tons. Tea and rubber plantations on the slopes of the Central Highlands are still mostly French owned. They cover some 350,000 acres and employed about 50,000 persons until Viet Cong activity and general intensification of
the war by United States and South Vietnamese forces against the Communist insurgents caused plantations to lose their former immunity from damage through military operations. Faced with this situation, several rubber estates closed down. In the sparsely settled Central Highlands, where the area of fertile uncultivated land is estimated at 5 million acres, some 500,000 to 700,000 montagnards practice a shifting agriculture. In the villages along the 1,100-mile coast there are approximately 246,000 fishermen.

About 15 percent of the population lives in the cities, mainly in Saigon-Cho Lon, which has grown to almost 2 million. The metropolis is not only the capital of the country but also the major seaport and a road, rail and air center. Commerce and industry, including handicrafts, employed about 520,000 persons at the end of 1961, the latest year for which an estimate is available. Most of these enterprises are located in or near Saigon-Cho Lon, which is the focal point for all commercial and financial activity.

The internal transportation network which centers on Saigon is inadequate, and freight charges are high, the result of numerous disruptions caused by widespread Viet Cong sabotage operations concentrating on the destruction of bridges, uprooting of rail trackage and assassination or intimidation of technicians and specialists. Because of wartime conditions, roads and canals lack adequate maintenance and the supply of railway rolling stock, motor vehicles, boats and aircraft is insufficient. About 870 miles of railroad, largely inoperable, connects Saigon with the main coastal cities. The main rail line, terminating at Dong Ha near the seventeenth parallel, is the southern section of the railroad built by the French to link agrarian Cochin China in the south with Hanoi in the more industrialized Tonkin to the north.

Some 9,200 miles of highway, much of it unusable because of Viet Cong action, were mostly French-built, either to facilitate delivery of produce to Saigon or for strategic purposes. Also oriented toward Saigon is the 2,500-mile network of waterways in the Mekong Delta which is estimated to carry 4 million tons of traffic per year in small sampans and on barges. Most urban centers have airfields built with United States aid; domestic flights to and from Tan Son Nhut Airport at Saigon are frequent but insufficient to meet the demand, since airplanes constitute the most practical means of movement from place to place within the country.

The people, with the possible exception of some of the montagnard groups, are accustomed to the use of money. The unit of currency is the piaster (for value of the piaster, see Glossary), directly supported by the United States since January 1, 1955. South Vietnam has a central bank and 14 commercial banks located in Saigon-Cho Lon with a few branches in other urban centers. The central bank holds the
government's gold and foreign exchange reserves and has the exclusive right to issue currency. By the end of 1964 reserves had sunk to their lowest level since the partition of Vietnam, brought about by the Geneva Agreement of 1954, and currency issued was considerably beyond the legal limit established by the bank's charter.

The commercial banks are engaged almost entirely in financing foreign trade. Under French rule, foreign trade consisted of rice and rubber exports and imports of manufactured goods from France. After partition, however, rice exports dwindled, were sporadically prohibited as a result of shortages and finally ceased in 1965. Rubber exports also declined steadily. Imports of manufactured goods, on the other hand, have been maintained at a high level, averaging $250 million per year, through the Commercial Import Program, financed by United States aid. The United States has replaced France as the major supplier. The United States also meets the deficit in South Vietnam's balance of payments.

Government revenues are derived largely from customs duties and other associated indirect taxes. Direct taxes are assessed on land, income and business profits but have proved difficult to collect. Published data on revenues collected are incomplete and generally based on estimates. At no time have revenues financed more than a small part of government expenditures. Budgets are characteristically unbalanced, with the deficit being met by foreign aid. Published budgets are not reliable indicators of actual government expenditures as a result of omissions in compilation, reorganizations in government departments within the fiscal year and the shifting of funds from one use to another.

In 1965, as counterinsurgency efforts increased, Vietnamese budgetary expenditure rose considerably, totaling 51.3 billion piasters, nearly double that of 1964. The total deficit was estimated at 38 billion piasters, to be covered either by a United States aid contribution or by advances from the National Bank. In 1965 United States aid was more massive than ever, the total being estimated at $287 million. In addition, United States expenditure on military construction of roads, airbases, ports and other United States Army installations attained a rate of $1 million per day, creating an enormous need for raw materials, goods and labor.

The increasing magnitude of the United States presence was also accompanied by a steady rise in the cost of renting buildings for housing, business and military establishments. Wages doubled and tripled, but, as earnings increased, families sought to buy more and better food and clothing. At the same time, the Saigon port continued to be congested, and warehouse space was in short supply, resulting in long delays in unloading cargo. As both shortages and demand increased, a serious inflation developed, aggravated by hoarding and
speculation. Within the year 1965, according to official statistics, the cost of living rose 58 percent in Saigon and 70 percent in Hue.

The economic benefits derived from the inflow of American money, credit and goods are confined mostly to the city dwellers, many of whom are recipients of unusually high wages and salaries paid out by contractors and businessmen competing in the tight labor market for various types of services. An inflationary stimulus to the economy is maintained by the increased income of merchants, shopkeepers, real estate owners, skilled and semiskilled workers, bar hostesses and others seeking lucrative returns from the greatly augmented cash flow. The rising wage and salary rate, however, is largely offset by mounting living costs. The excess of imports over exports, financed largely by United States aid, indicate that the country is living beyond its means. Dependence on foreign aid and frequent changes in government have hindered the long-range planning and the enforcement of measures needed to combat the inflationary forces.

At the same time that South Vietnam’s towns and cities are enjoying the greatest prosperity in their history, the farmers, who make up the majority of the population, have lost ground economically. Unable to raise or deliver normal crops as a result of military activities, farmers grumble that rice prices are too low compared with other prices. Although the wholesale rice price has risen to a level 40 percent higher than usual, the farmer continues to feel that he is not getting his proper share of the price rise. Moreover, the government’s ability to carry out the land reform plans essential for building up the agrarian economy to support an economically viable state of South Vietnam, are severely hampered because much of the land area involved is under Viet Cong control. Thousands have fled their ancestral villages to seek physical security.

To counter the inflation, the United States aid mission has imported rice and airlifted it to shortage areas in order to keep the price down. Another major step, in the hope of limiting the circulation of dollars in Vietnam, was the adoption by the Americans of a system of military payment currency or script which may be exchanged for piasters. The most important anti-inflationary effort, however, remains the Commercial Import Program, under which the United States buys goods with dollars and sells them in South Vietnam for piasters, maintaining a flow of goods to absorb excess spending power.

To combat the transportation shortage, the United States is importing eight coastal vessels to serve the main ports from Nha Trang north to Quang Tri 20 miles from the Demarcation Line. In addition, a fleet of over 200 motorized junks has been assembled to tranship supplies to the smaller ports and river hamlets that cannot handle the larger freighters. The Vietnamese Government has established special courts to try those accused of bribery, hoarding and speculation in

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goods and threatened to execute profiteers who make exorbitant gains from dealing in scarce commodities. An example was made of a Chinese merchant early in 1966.

Since partition the United States aid mission has made a concerted effort to diversify the economy and hasten its technical development. Some light industries have been established, and marked gains have been recorded in industrial production. Additional industrial installations are under construction or are planned. Various forms of assistance have been provided by the government for the development of industry and handicrafts. Important steps were the establishment of the Industrial Development Center and the Handicraft Development Center. A further stimulus to industrial growth was the government's foreign investment policy which gave foreign investors assurance against war risk, expropriation or possible nationalization and also offered incentives of various types. The government itself has either entirely or partially financed investment in industries, public utilities and transport facilities considered basic to development of the economy.

Gains were also made in the agricultural sector. These were attributed almost entirely to the government's program of land reform and land reclamation, a program designed to bring back into cultivation 2.5 million acres of abandoned riceland in the Mekong Delta and to extend cultivation in the Central Highlands. Land reform measures began in 1955 with the issuance of new land ordinances which established rent limits and provided security of tenure to tenants. Landowners were required to declare their uncultivated land, and, if they failed to bring their unused holdings into production, the properties were subject to government requisition for the settlement of refugees from North Vietnam. According to published reports during President Diem's regime, more than 500,000 refugees from the North were settled on such properties.

A presidential decree in 1956 limited individual ownership of ricelands to a maximum of 284 acres and provided that land in excess of this amount was to be purchased by the government for resale in small plots, preferably to tenants who were already working the land. By the end of 1962, when the program was declared complete, over 600,000 acres had been distributed to more than 100,000 farmers, mostly tenants. Further land reform programs were initiated by Prime Minister Nguyen Khanh in 1964 and by Prime Minister Nguyen Cao Ky in 1965. Under these programs the respective prime ministers distributed a few hundred land titles to tenant farmers; thousands of other land titles, including montagnard titles to their lands, are reportedly being processed.

Other factors resulting in increased crop production are better cultivation methods, improved water resources, the use of chemical fer-
tilizers and pest control. New agricultural techniques and new varieties of crops have been introduced through agricultural extension services and local training centers. The average farmer had demonstrated his willingness to accept new ideas and technical innovations which would improve his livelihood, but by the close of 1961 security conditions in the countryside prevented extension agents from visiting many rural areas, and the benefits of experimental work could thereafter reach only a limited number of farmers.

Fishermen have benefited from the creation of government credit facilities and cooperatives which have made it possible for them to purchase modern gear and market their rapidly expanding catch. The availability of credit also stimulated the forest industries which supplied firewood, charcoal and bamboo until Viet Cong activities made transportation difficult. Exploitation of the forests, which cover 30 percent of the country, is limited, however, as no adequate survey of timber resources has been made.

A Five-Year Plan for industrial development was announced in 1957 but was never formally adopted. A second Five-Year Plan, launched in 1962, was abandoned. In 1965 economic development was necessarily linked to counterinsurgency programs. The stated economic goals were to increase production, expand exports, provide import substitutes and develop skilled manpower. The rural development program announced in February 1966 involves the use of teams now undergoing training. Under the program, after the enemy has been cleared from an area, a team will enter a village, conduct a census, issue identification cards and weed out Viet Cong suspects. Other members of the team will start schools, provide medical services, help farmers with their crops, organize local government and help train village leaders. Goals for 1966 are modest. They call for clearing and holding 900 new hamlets, consolidating government control in 1,000 already cleared villages, building 2,251 new classrooms, 568 miles of road, 57 dams and 148 bridges, and digging 118 miles of canal. In February 1966 there were 38,838 trained men and women in the field, and by the end of the year another 20,000 were expected to be trained. At least 440,000 will be required to blanket every province.

A serious deficiency hampering development of all sectors of the economy has been the shortage of trained technical, professional, managerial and administrative personnel. Technical schools and colleges have been established; on-the-job training programs have been initiated, and Vietnamese students have been sent abroad for advanced study.
The country is predominantly agricultural. About 75 percent of the estimated total population of 16.1 million consists of farmers and their families, most of them engaged in the cultivation of rice. In normal years production is sufficient not only to feed the population but to make rice exports the major foreign exchange earner. In 1965, however, Viet Cong interdiction of the roads and waterways leading from the Mekong Delta, South Vietnam's rice bowl, to Saigon had resulted in serious shortages so that the capital city and the northern part of the country were being fed by imports of United States surplus foods. Cultivation and export of plantation crops such as rubber, tea and coffee continued, but protracted military action was causing a decline in output.

Agricultural production rose steadily after the close of the Indochina War in 1954. By 1959 crop levels in excess of those registered before World War II were being reported, and in subsequent years official statistics indicated only minor fluctuations from these high levels. Yet it is questionable if the rice production reported in 1959 could have been the same in 1964 when 600,000 persons were reported to have fled their homes in Viet Cong-controlled territory to become day laborers in Saigon, fishermen along the coast or unemployed in a refugee settlement.

A substantial portion of the increase in agricultural output which took place after 1954 was the direct result of restoring to cultivation land abandoned during the war years. Other factors included better methods of cultivation, improved water resources, use of chemical fertilizers in some areas and pest control. Agricultural development has been fostered by substantial foreign aid given by the United States Agency for International Development (AID) to finance a land reform program, the establishment of agricultural credit and various technical projects designed to increase production and introduce new crops.

By the 1960's, serious attention was being given to agricultural diversification in an effort to improve the living standard of the farmer. New agricultural techniques and new high-yielding varieties of staple food crops had been introduced through the agricultural
extension service. In 1960 considerable success was reported, but by the close of 1961 security conditions in the countryside prevented government agricultural workers from visiting many of the rural areas, and the benefits of experimental work had reached only a limited number of farmers.

LAND UTILIZATION

Physical geography has largely determined the pattern of land utilization. The country may be divided roughly into three agricultural regions: the Mekong Delta, the coastal plains of the Central Lowlands and the Central Highlands portion of the Chaîne Annamitique (see ch. 2, Physical Environment). The principal farming areas are the alluvial Mekong River plain and the small deltas along the narrow coast of the Central Lowlands. In contrast, the Central Highlands area is sparsely settled and contains a large area of uncultivated fertile land, much of which is forested.

Of the total land area of approximately more than 42 million acres, a little more than 7.6 million are under intensive cultivation. In 1964 the total area producing wet rice was estimated to be between 6.2 and 6.4 million acres (see fig. 11). Included in this figure was over half a million acres where floating rice is cultivated in the waters of the rivers and streams which make up the many mouths of the Mekong. Rubber plantations on the southern slopes of the Central Highlands account for about 350,000 acres, and the remainder produce such crops as hard fibers, tea, coffee, sugarcane, fruits and vegetables. Hard fibers are produced in the Central Highlands; tea and coffee plantations are located on the Central Highlands slopes. Some sugarcane, fruits and vegetables are produced in every province. About 14 million acres are covered with forest.

The Mekong Delta is watered by rain and by the annual flooding of the Mekong River. The river’s flow is relatively gentle, and its rise and fall are gradual. There have been destructive floods, but these are unusual. Since the Delta is extremely flat, with a slope of approximately 1:100,000, the chief problems are those of drainage and of tidal action which carries brackish water a considerable distance inland (see ch. 2, Physical Environment).

Surveys made in selected areas indicate a wide variety of soils in the Mekong Delta. Soils range from light, sandy loam to heavy clay, which is impossible to plow when dry. Most of it is slightly acid, generally lacking in phosphorus and low in essential organic material. The Mekong River deposits only a small amount of silt in the Delta. The best soils are found in the southwestern section; these are of more recent origin and have a high degree of natural fertility.

In the upper reaches of the Delta, soils tend to contain active alumina in toxic quantities. The condition is said to be most prevalent in the plains northwest of Saigon and in the Saigon area itself. These soils,
Figure 11. Chief Areas of Wet-Rice Cultivation in South Vietnam, 1964–65.
with proper leaching, are suitable for growing rice which has a shallow root system. Subsoil water tends to be salty, particularly during the dry season. Although the use of chemical fertilizer was introduced by the French, few farmers have any understanding of its proper application in relation to the various soil types.

About 90 percent of the cultivable area of the Mekong Delta is planted to rice. The only other agricultural product of importance is copra, which is found in sandy areas along the coast near Truc Giang, about 40 miles southwest of Saigon. Tobacco, corn, manioc and vegetables are produced, most for local consumption, on the riverbanks which are a few feet above the flooded rice paddies. In a few areas where irrigation is available in the dry season, corn is planted as a second crop after rice.

Cultivable land in the coastal region of the Central Lowlands is confined to the small deltas of the short rivers flowing out of the eastern slopes of the Chaîne Annamitique. Because of the position of these mountains in relation to the prevailing monsoon winds, there is considerable variation in climate and rainfall from Mui Dinh to the Hue plains bordering the seventeenth parallel (see ch. 2, Physical Environment). The total cultivable area does not exceed 1 million acres, most of which is used for wet rice cultivation. Because of the scarcity of good land, most fields are double cropped.

The most fertile land in the Central Lowlands is located north of Mui Dieu (formerly Cape Varella). South of the cape the climate is relatively dry, and all crops must be irrigated. The soil is generally sandy and of low fertility. North of Mui Dieu fertile loams are found in the deltas, but except in the limited areas of recent alluvial deposit, the soil is generally poor. The best soil is found in Binh Dinh and Phu Yen Provinces where a modern irrigation system, built under the French colonial administration, is in operation.

The Central Highlands rise to the steep, densely forested area of the Chaîne Annamitique bordering the narrow eastern coast. The inland plateau, ranging in altitude from 2,000 to above 3,000 feet, slopes gently westward toward the drainage basin of the Mekong (see ch. 2, Physical Environment). The partially lateritic soils in this plateau area are of volcanic origin.

The western and southern slopes of the Central Highlands have large areas of uncultivated fertile land, estimated to amount to as much as 5 million acres. Montagnards who inhabit the area engage in shifting agriculture (also known as swidden), hunting and gathering. The montagnards grow rice, corn, manioc, other vegetables and tobacco. On the slopes of the Central Highlands are rubber, tea and coffee plantations. It has been demonstrated that various temperate-climate crops thrive in the area. Much of this land is in secondary forest or grassland (see ch. 2, Physical Environment).
LAND TENURE

There has been no cadastral survey, and most titles to land depend on oral tradition in the village or in the tribal group. Large plantations and estates, termed "concessions" by the French colonial government, are likely to have been surveyed (if only by eye) and registered at the Land Registry Office in Saigon. Since 1954 some land abandoned during the Indochina War and some reclaimable land have reportedly been surveyed in order to grant land titles to refugees from North Vietnam being relocated in the South. The titles to land distributed to tenants or landless farmers under President Ngo Dinh Diem's Ordinance No. 57 of October 22, 1956, have not been issued, because payments from the recipients have lagged, and sufficient staff is lacking to survey fields and process titles.

Traditional Tenure

In the first century A.D. the Viets, the forebears of the Vietnamese people, were already wet rice farmers as well as fishermen. They lived in compact villages in their homeland in the Red River Delta, and each village was governed by a council selected by the resident families. The wet ricefields were held in common by all the families in the village, a situation arising presumably from equal participation by all in building the bunds and dikes which made the paddy fields. Individual families held usufruct rights to particular plots which were reallocated every few years by the village council.

Throughout subsequent centuries, as, behind their conquering armies, the descendants of the Viets colonized the eastern rim of the Indochina peninsula, they clung tenaciously to the way of life and beliefs of their ancestors. They were interested solely in wet ricefields and, ignoring the highlands, they established their villages in the alluvial deltas along the coast. As in their homeland, the villages were governed by a village council, a custom honored by the emperors and continued with modifications to the present.

The push southward along the coast was underway by the fourteenth century, and by the end of the seventeenth century the descendants of the Viets (called Annamites by this time) had reached the Mekong Delta. In the early settlements the wet ricefields were communally held and periodically reallocated in accordance with ancient practice. As colonization spread farther south, however, in order to entice settlers, permanent and inheritable usufruct rights in specific fields were conferred on individual families as well as a right to a share in communal village lands which were still set aside for allocation by the village council. If the family line died out, the permanently assigned fields reverted to the village.

Colonization of the Mekong Delta was still in process at the time of the French conquest, and thereafter the traditional communal village
lands were not set aside. A survey in 1931 showed that 25 percent of the ricelands in the narrow coastal strip of the Central Lowlands and 3 percent in the Mekong Delta were communal lands. Although subsequent developments under the French introduced new concepts of land tenure which deviated from the traditional pattern, nonetheless the Vietnamese peasautry still holds the conviction that every family has a right to a share of land and that communal lands should be reserved for the use of the poor, needy and landless.

Land in which a family had permanent usufruct rights was theoretically inalienable. The peasants, however, when in need of funds, might transfer the use of a portion or all of their land to persons with money to invest. In return for a sum of money, usually between 60 to 80 percent of the land's value, the lender took over possession of the property. After an agreed period, usually 3 years but sometimes much longer, the borrower could redeem the land by returning to the lender the sum of money originally received. In the nineteenth century, under Emperor Gia Long's legal code, it became possible for the lender to become the possessor of the land by paying the borrower, with his consent, the difference between the amount of the loan and the value of the land. In this manner numerous transfers of usufruct rights have taken place out of the normal channels of inheritance (see ch. 3, Historical Setting).

Another tradition which has not lapsed is the custom whereby the head of a well-to-do family declares a portion of the family fields to be dedicated to support the rituals and feasting associated with the Cult of the Ancestors. Ownership of such land is vested in all the adults of the patrilineage, reckoned from a male ancestor in the third ascending generation. The head of the patrilineage is charged with the proper management of the income of the designated lands. Although theoretically the designated fields can be alienated with the consent of all the adult members of the patrilineage, no such instance has been reported.

French Concessions

The French were primarily interested in developing the resources of their new territories, and in that part of the Indochina peninsula which is now South Vietnam the major resource was uncultivated and undeveloped land. Large land grants (called concessions) for the cultivation of rice, rubber, tea and coffee were made to Frenchmen, Chinese and favored Vietnamese, on the condition that they would clear the land, build canals and make other improvements.

Until a decree issued in December 1913, concessions were granted under local regulations special to each of the component territories comprising French Indochina. The 1913 decree was the first in a series whereby the French administration sought to regularize and clarify the procedures for obtaining grants, the conditions to be met
by the concessionaire and payments to be made for different types of concessions. The theme of all the decrees was land development. Titles were provisional and could be withdrawn if the improvements specified in the registration documents were not carried out.

Maintenance of native (indigènes) rights and the “reservation for the natives of sufficient land to meet their present and future needs” was provided in a 1926 decree. This decree also required that an applicant for a grant present proof that he had sufficient capital and equipment to develop the concession. A 2 percent tax was placed on the gross production of all concessions. A 1928 decree tied the grant of concessions to a program which “fixed the territory reserved to the natives, areas open and closed to colonization, and land reserved for reforestation.” Under this decree, if the land grant was not developed within 5 years, it would be withdrawn. A clause of this decree reserved montagnard lands for their use only.

Land Reform After Independence

In 1954, at the end of the Indochina War, the countryside was devastated. Nearly 2.5 million acres of the most valuable riceland had been abandoned and was overgrown with brush and weeds. Irrigation and drainage facilities had fallen into disuse; canals and indispensable waterways were silted or overgrown and needed redredging.

About 2.5 percent of the landowners held roughly half of the cultivated land, and more than 80 percent of the land was cultivated by peasants owning no land at all. Most of the large landholdings were divided into small tenanted plots of 5 to 12 acres:

Conditions of tenancy were usually verbal, although sometimes recorded in written contracts, and were renewed from year to year. Before 1954 there were no regulations governing farm leases, rents or loans. The tenant had little protection from the landlord who could dispossess him without cause. Rentals were high, frequently as much as 50 percent of the crop. The tenant had to provide his own housing, tools, livestock, seed and hire extra help for planting or harvesting. Often without sufficient rice for food or seed at planting time, the peasant borrowed from the landlord or a local moneylender to cover his immediate needs. He frequently paid double the amount at the end of the harvest, and by the time his obligations were met, his share of the crop might be less than a third of the total harvest.

Large holdings and tenant farming predominated in the Mekong Delta, half of the cultivated land being occupied by properties of over 123.5 acres. Only 12 percent of the land was held by peasant proprietors with holdings of 12.4 acres or less. In no Delta province was the average size of a plot less than 2½ acres, and they increased in size to 24.7 acres in the west. The Delta had been the first part of Indochina to be conquered by the French, who in that sparsely settled
region had parceled out extensive tracts for themselves and a few favored Vietnamese. As a result, subsequent Vietnamese settlers found it difficult to acquire land and were forced to become tenant farmers or agricultural laborers.

In the longer settled coastal plains of the Central Lowlands landholdings were small. Three-fourths of the farmers owned their land, with holdings averaging from 2 to 5 acres; not more than 50 individuals owned as much as 125 acres. In this part of the country communal or village landownership persisted. In some districts 50 to 70 percent of the cultivated land might be communal; in others, this form of ownership was almost absent. Inalienable village property, communal land was administered exclusively at the village level. It was rented to members of the village on terms which varied from one village to another, according to custom. Rents were paid directly to the village treasury and, in some villages, constituted the main source of public revenue.

The sparsely populated Central Highlands, an area of roughly 17,000 square miles, was considered to be almost exclusively in the private domain of the royal family before 1955. After World War I the area was not extensively exploited, but some rubber, coffee and tea plantations were established by the French and a few wealthy Vietnamese. These plantations caused unrest among the montagnards, who resented the invasion of their ancestral lands even though they themselves were left largely undisturbed. The montagnards belonged to different ethnic groups and had various systems of land tenure. In some groups land was the property of an extended kin group; in others it belonged to the small family (see ch. 6, Social Structure). After independence the Central Highlands were declared to be in the public domain. The rubber plantations, reportedly covering some 250,000 acres, and a few coffee and tea plantations continued to be largely French owned.

In the Mekong Delta, where the worst abuses of tenancy and landlordism prevailed, the Viet Minh found ready support in the villages during the years of the Indochina War. Throughout this period the Viet Minh forces lived off the land. Where they controlled the countryside, they imposed tax burdens in grain as heavy as the rentals formerly collected by the landlords. They did so not only by their power to coerce but also by convincing the peasants that they represented the cause of national liberation.

Though the Viet Minh had no specific land program, the landless were led to believe that the landlord's property would belong to them as soon as the French were defeated. Many landlords had fled and those who normally lived in Saigon did not dare to venture outside the city. Peasants were encouraged to take over abandoned land, and payment of rent, as distinguished from taxes, virtually ceased. Quasi-
military religious sects, such as the Hoa Hao and the Cao Dai, gained control over substantial areas of the Mekong Delta along the Cambodian border where, citing traditional concepts of land usage, they also encouraged peasants to occupy abandoned land without regard to legal titles. As a result of all these factors, a virtual land reform program had been carried out in this area before independence.

After independence the first phase of rural reform was the promulgation of a rent reduction and tenure security program. Ordinance No. 2 of January 1955 limited rents to no more than 25 percent of current average gross yield and assured tenants of security of tenure for a period of 3 to 5 years under a written contract. Ordinance No. 7 of February 1955 had a precedent in the precolonial tradition making land abandoned for 3 years subject to redistribution, reaching back to a fifteenth-century imperial decree which forbade landowners to leave land fallow under threat of confiscation.

Ordinance No. 7 required all landowners to declare their uncultivated land and their intentions respecting it. Those unable or unwilling to cultivate it were directed to lease it to a farmer who would do so. Farmers who brought back into use land which had fallen idle during the war years were given a written guarantee of tenure for a period of 8 years, the first 3 with reduced rent and the remainder on the same terms as established tenants. By June 30, 1959, there were 774,386 written land lease contracts, involving 4 million individuals, three-fourths of all tenants in South Vietnam. Of the 5 million acres of land covered by these written contracts, most of it located to the south and west of Saigon, about one-fourth had been abandoned land.

In 1955, spurred on by Ordinance No. 7, many owners brought their unused holdings back into production; others who failed to act found their properties taken over by the government for refugee resettlement. Altogether, more than 500,000 refugees from North Vietnam were resettled. A dramatic example of refugee resettlement is the Cai San project in the Mekong Delta. The Cai San area comprises some 270,000 acres between the southernmost branch of the Mekong, the Song Hau Giang, and the Gulf of Siam. In 1956 the greater part of this land was an overgrown wilderness of weeds and brush. Approximately 50,000 refugee families, each assigned a 3-hectare plot (7.41 acres) at a nominal price, have reclaimed the land, cleared the canals and begun harvesting good rice crops.

In addition to refugee resettlement, the government also established a land reclamation program in the Central Highlands. Possibly as many as 100,000 people were moved from the crowded coastal deltas of the Central Lowlands to the sparsely populated Highlands. They exchanged their half-hectare (1.23 acres) tenant holdings in the Lowlands for a gift of a plot of 2 to 3 hectares (4.9 to 7.4 acres) in the
By 1960, 78 new villages were said to have been created.

Under the same program, approximately 25,000 montagnards, who tended to be isolated from the national administration and were thought to be vulnerable to Communist coercion and subversion, had also been resettled in new locations in the area. By 1965, however, it was reported that most of the people from the Central Lowlands had returned to their native villages and that their settlement in the Highlands had served to exacerbate the resentment of many montagnards toward the Vietnamese. The montagnards regarded the lands as their own, and written title to their lands was one of the demands which they made of the Vietnamese Government at the time of the revolt in November 1964 (see ch. 26, Public Order and Safety).

Another far-reaching decree dealing with land reform was President Diem’s Ordinance No. 57 of October 22, 1956. It provided that no one might own more than 100 hectares (247 acres), plus an additional 15 hectares (37 acres) of riceland entailed for the expenses of the family ancestral cult. This cult land could not be sold. Land in excess of 100 hectares was to be purchased by the government for resale in plots equivalent to 5 to 12 acres in size. Incumbent tenants were allowed first option, followed by descendants of disabled soldiers or those who died in combat, refugees and those reclaiming their homes, the unemployed, small landowners having more than five children but less than 3 hectares (7.4 acres), and the landless.

The government was to pay the landlord 10 percent in cash and the balance of the purchase price in nontransferable government bonds bearing 3 percent interest and maturing over a period of 12 years. The landowners might gradually exchange their bonds for stocks in government-owned paper, glass, textile and other manufacturing industries. The purchaser could pay for the land in six annual installments, each approximately equal to a year’s rent. When the application was approved the tenant received a temporary title, which was to become permanent when payments were completed; during the interim, final ownership rested with the government. The law did not apply to village communal land or to other than ricefields.

The land redistribution program was slow to start. Surveys had to be made, and surveyors and equipment were scarce, as were qualified administrative personnel. With United States aid these difficulties were gradually overcome. The Ordinance 57 program was launched finally by President Diem in 1957 and resulted in the expropriation of 1.7 million acres, most of it in the Mekong Delta south of Saigon. Of the total land subject to transfer, 1.1 million acres (of which 222,300 acres had been abandoned) were Vietnamese owned; about 654,000 acres (of which 323,570 acres had been aban-
doned) were French owned. This required that compensation be paid to some 2,500 owners, of whom 433 were French citizens.

The average price per hectare paid by the government for cultivated land was 7,000 piasters (for value of the piaster, see Glossary); that for idle land, about 1,000 piasters. To enable the Republic of Vietnam to pay for the French-owned land, the French Government granted South Vietnam 1,490 million francs (for value of the franc, see Glossary), plus an additional 400 million francs for the purchase of agricultural equipment. The administrative costs of the land transfer program, totaling $2.2 million, were covered largely by United States aid funds.

The benefits of the land reform program were minimized by the intensification of guerrilla warfare after 1959. Landlords gave up land to the government in areas so insecure that rents could not be collected, and tenants who had been farming such land free saw no reason why they should pay the government for it. In areas of greater security, even though the large landholdings of the past were eliminated, tenancy remained a problem. Progress of the program was dependent upon the efforts of provincial administrations, which varied from complete cooperation to outright rejection of the whole concept.

By the end of 1962, when President Diem declared the land reform program completed, 609,043 acres had been distributed to 115,381 farmers, mostly former tenants. Subsequently, about 900 acres were allocated, but over a million acres remained government owned. Some of this land was used for the agroville, strategic hamlet and new life hamlet programs, but the province chiefs, whenever possible, continued to collect rent on most of this land on behalf of the government.

In March 1964, Prime Minister Major General Nguyen Khanh initiated a further land reform program which was estimated to apply to over 900,000 acres. Ricelands were not involved. Illegal squatters on government land were to receive ownership rights to a maximum of 10 hectares (24.7 acres) if they had cleared and cultivated the land. Areas over 10 hectares would be sold "either by friendly arrangement or by bid." Annual installment payments on land purchased from the government, including sales of land under Ordinance 57, were extended from 6 years to 12. To inaugurate this program, Prime Minister Khanh distributed about 200 titles.

The next effort toward land reform was made by Prime Minister Air Vice Marshal Nguyen Cao Ky in August 1965. First priority was given to the sale of the 650,000 acres in the Mekong Delta of former French-owned land which the government still held, and to the equitable division of village communal lands to tenant farmers. Peasants could purchase up to 24 acres of land under 12-year government financing. Land values were to be based on yield, and tenants were
to have the first option to buy the lands they were farming. Only some 50,000 acres of the French-owned land were free of Viet Cong control, but distribution of titles to purchasers in this area was expected to begin immediately. Montagnard titles to their lands were also being prepared.

The second of Prime Minister Ky's programs dealt with the 750,000 acres of village communal lands which traditionally were rented to landless villagers. These lands were not included in the rent control provisions of former President Diem's land reform ordinances; meanwhile, rents had risen in level to more than 50 percent of the crop. When villagers could not pay, the land was put up for bids, and much of it was reported to have come into the hands of absentee landlords in Saigon. Under the new program, bidding was abolished on communal lands, rents were limited to 15 to 25 percent of the average yield, and a new distribution priority system was put into effect. Disabled war veterans and members of local militias had first priority, followed by those then on the land who were refugees from the Viet Cong. As with other land reform programs, it appears that progress will be hampered by lack of qualified technical and administrative personnel.

**PRODUCTIVE ACTIVITIES**

**Farming**

Farming, which engages about 75 percent of the people, is largely a family affair. Units are generally small and individually operated. Farm size, climate, topography and conditions of soil and water, which vary regionally, largely determine the pattern of farm life. With few exceptions methods have changed little over the centuries; horoscopy, taboos and sanctions play an important role in farming activities. Tools and equipment are, in general, locally made.

During the 5 hot months of the dry season, when there is little farmwork to do, the farmer may look for supplementary labor in a larger village center. Generally, however, his activities are confined to fishing, mending and repairing the dikes and houses and similar work, until the start of the rainy season and new crop planting begins. The average farmer probably accepts this subsistence pattern as part of the natural order of things, but he has shown himself ready to accept new ideas and technical innovations that will improve his livelihood.

Most of the farmers in the Mekong Delta produce only one rice crop a year, relying on rainfall and the annual flood in the Delta for the necessary water supply. This flood, which starts in June and reaches its first peak at the end of July and a second peak in September and October, establishes the agricultural cycle in the delta region. It begins in June with transplanting or direct sowing in the fields from
July to September. Most harvesting starts in December and continues through February. The average tenant unit is around 5 acres and the holding of peasant proprietors between 10 and 15 acres. Rice yields are high, from 1,000 to 1,500 pounds per acre for a single crop. Total production in the region is estimated at 4 million metric tons a year.

In addition to rice, farmers usually raise vegetables for family use and plant a few fruit trees, the commonest of which are papaya, banana, orange, guava, mango and jack fruit. Most farm families have a few ducks and chickens and a pig.

On the coastal plains of the Central Lowlands all of the arable land has been cultivated for centuries, and most of it is divided into many smallholdings. The average farm is in a small delta hemmed in on three sides by mountains. Most holdings do not exceed 5 acres, and they center around a plot of paddy land which is double cropped. Each farm family does most of its own work, which includes operating a paddle wheel to lift water into the fields during the growing season. In addition to rice, there is usually an acre or more of dry land and where manioc, beans, vegetables, some tobacco and a few fruit trees are grown. Ducks, chickens and various other types of fowl are kept for home consumption. In some areas where livestock breeding has improved, the sale of pigs for export to Hong Kong and elsewhere is an important source of income for the farmer.

The rice yield in this region is lower than in the Mekong Delta, about three-fourths of a ton per acre being obtained for each of the two annual crops, although where sufficient irrigation is available and adequate fertilizers are used, production is considerably higher. The annual harvest of about 1 million tons of paddy hardly covers local consumption, and rice is usually imported from the southern delta.

In the Central Highlands, shifting agriculture still predominates among the montagnards (see ch. 5, Ethnic Groups and Languages). In this process a thickly wooded area is selected several months before the rainy season begins. The trees and brush are cut and allowed to dry. The fields are then burned, and before wind or rain can dissipate the ash, the fields are raked, and rice, corn, manioc, other vegetables and a small quantity of tobacco are planted. This is done with digging sticks and hoes. When the fields are at a distance from an established village, temporary shelters are constructed in which the men of the village live until the crop matures. The crops are entirely dependent upon rainfall and subject to the depredations of birds, monkeys, wild pigs and rats from the surrounding jungle. A field is usually cultivated for 3 years and then left to fallow for 5 to 10 years while other fields are cleared and cultivated.

After 1956 the Central Highland plateaus, formerly limited to the shifting cultivation of the montagnards and some plantation produc-
tion of rubber, tea and coffee, were opened to diversified farming. In this area, estimated to have 5 million acres of fertile land, an attempt was made to establish new villages of 100 to 500 families of army veterans and people from the Central Lowlands. Substantial American aid was given for the clearing and plowing of the newly cultivated land, and water was obtained by pumping from subartesian wells.

Rice Production

In terms of the number of people engaged in its cultivation—nearly three-fourths of the total rural population—rice production is the most important agricultural activity in the country. There are some 1,500 known varieties of rice and several distinct types of rice culture adapted to regional geographic differences. Although most rice is grown in lowland paddies which are flooded in the growth process (wet rice method), montagnards cultivate rice on upland fields which are dependent solely on rainfall (dry rice method). The rice may be classified into three main categories according to the period of growth from seeding to harvest—early-, medium- and late-maturing. The early-maturing varieties develop in as few as 120 days; the late varieties require 5 to 6 months to mature. In the Mekong Delta the late-maturing varieties are most common because of poor drainage does not permit sufficient control of the floodwaters to dry the fields between crops or allow for irrigation in the dry season to make double cropping possible.

In the region where the Mekong enters South Vietnam, drainage is very slow and the annual flood covers the area to a depth up to 10 or more feet. Floating rice, a subvariety of a late-maturing type, is grown in this area. The seed is sown in April and May when the soil is dry. While the floodwaters cover the field, the rice, which is not transplanted, grows with great rapidity and, supported by the water, reaches a tremendous length, with its tip just above the waterline. As the flood recedes the plants stretch out on the mud and two or three nodes on the plant produce new plants on which the rice flower develops and from which the crop is harvested. Considerably less labor is involved in this method of culture, but production levels are generally not as high as with other varieties because of competition from weeds and the irregularity of spacing.

Further south in the delta, in the provinces of Chuong Thien, Phong Dinh, Vinh Long and Ba Xuyen, where the floodwaters do not reach such a great depth but where drainage is still insufficient, the soil seldom completely dries out and double transplanting is practiced. During the normal dry season the area is covered with rank vegetation which must be removed. In July seedlings grown in the nursery are transplanted to a cleared area in clumps rather close together. Four to 6 weeks later they are separated and replanted with wider spacing. The practice of double transplanting, peculiar to the
southern area, allows for weed control and checks excessively rank growth.

More than half of the riceland in the total Mekong area is transplanted only once. The usual practice is to germinate the seeds in a nursery plot approximately one-tenth the size of the field to be planted. When the seedlings are at least 8 inches high they are transplanted to allow for even spacing, which ensures higher yield.

As they have been for centuries, most of the ricefields throughout the country are plowed by a simple buffalo-drawn wooden plow with a metal cutting blade. In refugee centers, such as that at Cai San, where tractors are used for deep plowing during the dry season, weed control has been greatly improved and fertility increased. Where adequate drainage can be achieved and fresh irrigation water provided in the dry season, the cultivation of ricefields for another crop—such as corn, peanuts, soy beans or any other fast-growing crop—during the off season greatly improves the texture and fertility of soil in the ricefields.

Most of the ricefields in the deltas along the coast in the Central Lowlands are double cropped, using early- and medium-maturing varieties of rice. Unlike the Mekong Delta, the rice-growing areas of this region get the benefit of the northeast monsoon and usually have good irrigation systems. The growing season is from October or November to February or March. The early-maturing varieties are grown during the beginning of the rainy season and the medium-maturing varieties follow.

In the Central Highlands rice is the main subsistence crop of the montagnards. It is cultivated usually by their traditional dry, shifting cultivation method, although some groups appear to have been using wet-rice cultivation methods for a number of generations. Yields are low, and no estimates are available on annual production. Within the last 10 years, however, paddy ricefields have been developed in valley bottoms in some parts of the Highlands to increase the food supply of the montagnards and to train them in the more productive agricultural techniques. Such paddy fields of more than 169,000 acres produced 69,000 metric tons of rice in 1964.

Other Field Crops

Varied climatic and soil conditions of South Vietnam permit wide diversification of agricultural production, but until recent years the development of secondary crops has been haphazard. Corn, beans, peanuts, and a wide variety of tropical fruits, including citrus, papaya and bananas, have long been grown by the farmers for their own use and as a limited source of additional cash income by those living near larger villages and towns. Many farmers grow sweet potatoes which are an important supplement to their diet and are sometimes also fed
to livestock, particularly pigs. The crop is customarily grown without the use of fertilizer.

Of South Vietnam's other food crops, one of the most important is corn. It is a dry-season crop, customarily planted in the fall and harvested in the early winter in areas where two crops of rice are not grown. Corn is raised for human consumption and is seldom fed to livestock. In those areas of the Mekong Delta where soil conditions are favorable and irrigation is available, corn provides a supplementary income for the farmer.

Vegetables, which are of great importance in the Vietnamese diet, are grown commercially in the cool climate of the Central Highlands plateau around Da Lat. Temperate climate vegetables may be grown there successfully, and government-sponsored cooperative programs increased productivity and expanded the variety of vegetables. By 1960, in addition to supplying Saigon-Cho Lon and other local markets, South Vietnam was able to export 1.25 million tons of fresh vegetables to Singapore. Beginning with 1961, the use of the road from Da Lat to Saigon became increasingly dangerous, and deliveries of vegetables from the plateau became so circumscribed that the overseas market was lost.

Several new crops have been introduced in the South since 1955. Cocoa seedlings, which have been distributed to farmers in the Mekong Delta and the Central Highlands, appear to do well. Avocado from the Philippines was introduced in various places in 1958; the first crops, harvested in 1961, were well received on the local market.

With the exception of a small quantity of jute, fiber plants were not grown on a commercial scale before the war. As a result of extensive experimental work since 1956 and assistance from the United States foreign aid program, three fiber crops are now produced in South Vietnam—kenaf, ramie and abaca. These fibers, together with peanuts, constitute the most important cash crops of the land development centers of the Central Highlands. Abaca, closely related to the banana and commonly known as Manila hemp, has been widely distributed to remote mountain villages in the Central Highlands in the effort to develop a cash crop for the montagnards.

**Plantation Agriculture**

Plantation agriculture, involving large-scale production of a single commodity for sale and usually for export, included before the Indochina War such products as rubber, sugar, tea, coffee and coconuts. Most of the plantations were financed and managed by the French, employing Vietnamese labor. Some were owned by a few wealthy Vietnamese. In 1961 over 55,000 persons were working on plantations.
Rubber

Rubber (*Hevea brasiliensis*) was first introduced from Malaya in 1897, and the first trees were tapped in 1905. Cultivation of the crop was developed on large plantations owned mostly by French companies which, in 1964, still accounted for more than 85 percent of the country’s total rubber output. Most of the rubber plantations were located on the red and grey semilaticeric soils of the southern slopes of the Central Highlands. After the Indochina War the planted area showed a steady increase to 362,642 acres in 1963; since then, as a result of Viet Cong harassment, new planting has been falling off. In 1965 two of the largest plantations were closed down. Production had reached a peak of 77,870 metric tons in 1962, but decreased to 74,200 metric tons in 1964. As the Viet Cong have disrupted rice deliveries to Saigon, the export of rubber has become South Vietnam’s main source of foreign exchange.

Other Plantation Crops

Sugar production during the colonial period reached a peak in 1937 of 20,000 tons, most of which was produced in the southernmost slopes of the Central Highlands northeast of Saigon and in some of the coastal deltas. During the Indochina War many of the canefields were diverted to other food crops. Some fields were abandoned altogether, and by 1954 sugar production had fallen to 4,000 metric tons. By 1964, however, production on about 83,000 acres had risen to over a million metric tons—sufficient to meet over half of the country’s rising requirements.

Tea is indigenous to the area where it is grown in the uplands. In 1964 it was being cultivated on approximately 23,800 acres, mostly located in the Central Highlands where the climate and soil are ideal. The bulk of the 5,000-ton crop was processed as green tea which the Vietnamese prefer, and the rest as black tea for export.

In 1964, 27,466 acres, located mainly in the Central Highlands, produced 3,420 metric tons of coffee. In 1962 over 100,000 acres of coconut palms, grown in the western provinces of the Mekong Delta, produced 168,528,000 nuts from which sufficient oil was derived to meet local needs. Most of the plantations, however, are located in that part of the Mekong Delta which the Viet Cong control, and since 1962 both areas planted and production have decreased.

Animal Husbandry

The neglect of livestock breeding during the Indochina War, combined with the slaughter of buffalo for food, reduced the number of buffalo by as much as 50 percent. Imports from Thailand and livestock breeding stations have improved the quality of local breeds. In 1964 the total number of buffalo was reported to be 800,000 as
compared to 222,000 in 1954. The slaughter of buffaloes under 10 years of age has been prohibited since 1955.

Cattle in Vietnam are of two kinds—the Chinese yellow type, which resembles the small Jersey cow, and the large, long-legged, gaunt Indian type. The bulls of both breeds have pronounced humps at the shoulder. They are used as work animals as well as for meat. The quality of the cattle has been improved by importation of selected stock for crossbreeding purposes. Any large-scale increase in cattle herds is rendered unlikely by the inaccessibility of rangeland and difficulty in maintaining adequate pasturage during the long dry season. There were reported to be 1.2 million head in the country in 1964.

The production of pigs has been greatly increased in quantity and quality since 1955. Local stocks have been improved by the introduction of American boars. In 1960 live animals and meat ranked third in value in the export market. Deteriorating security conditions in 1961 interrupted communications between Saigon and the rural areas, resulting in a decline in deliveries. In 1964 it was estimated that the number of pigs totaled 3.7 million.

Ducks are an important source of income for many farmers, particularly in the delta area where small flocks are raised from ducklings. They are also raised commercially in large, roving flocks which feed along the innumerable waterways and glean the ricefields after harvest. Ducks were estimated to total 12.6 million in 1964. Fresh and preserved eggs are produced for both local consumption and export, and surplus ducks from big flocks are sold in the city markets. The export of duck feathers and down is an important source of income. In 1964 there were an estimated 22 million chickens in the country.

Forestry

Woodcutting for construction purposes, firewood and the manufacture of charcoal is the principal forest industry in Vietnam. About 30 percent of the country is forested, and some 2.5 million acres are covered with timber of commercial value. Four-fifths of the commercial stands are classed as hardwoods; the rest are mangrove, pine, bamboo and related species.

With few exceptions, forest land in South Vietnam is in the public domain and classified as "forest reserve." Timber-cutting rights are granted to applicants through issuance of a forest license by the Directorate of Forestry in the Secretariat of Rural Affairs. Terms vary according to the type of timber sought and the extent of the proposed exploitation. Prescribed fees are payable to the Directorate. All products and byproducts from protected forests are subject to taxation.

No adequate inventory or survey of virgin forests has been made, but it is from these forests that large logs are cut and hauled to the
sawmills. In secondary forests, the original growth has largely dis­appeared, and only the most aggressive species have reappeared. More than half of the forested areas are of this secondary type which has only a limited quantity of commercially valuable species and whose main yield was fuel wood.

Bamboo, found in all parts of the country, is one of the most useful products of the forest. Because of its availability and the ease with which it can be worked, it has an enormous variety of uses. Various species suitable for particular purposes are cultivated, including several varieties whose young shoots are edible.

Rattan (may) is a climbing palm that grows only in the dense, moist rain forests of the Central Highlands. It has exceptional tensile strength and is used for making heavy cables. It is easily bent in sharp curves and is employed in the local manufacture of furniture.

The mangrove forests in South Vietnam cover an area in excess of 1 million acres and stretch along the coast from Mui Bai Bung northeastward to Vung Tau. There are two types of mangrove. One is the initial growth which comes up in brackish water influenced by the ocean tides; it is characterized by a stilted tripod-type of root system. As silting builds up and saline deposits are leached out, a climax-type of growth of larger species replaces the original stand.

Several species of mangrove have high commercial values. Three species supply wood for a charcoal which is considered superior to that produced from wood obtained in the dryland forests. Small timber is also cut from the climax-type of mangrove forest for fishnet poles, pilings for home construction and small lumber. Leaves of the nipa palm, which grows in the tidal areas, are used for thatching and woven partitions and walls, and pigs are frequently fattened on the fruit. From the bark of the wood cut for charcoal and firewood, about 9,000 tons of tannic extracts are produced annually. A brown pigment used by the rural people for dyeing clothes is also derived from bark. In 1961 some 69,000 persons were reported to be engaged as woodcutters, charcoal producers and laborers in the mangrove forests.

**Fishing**

Fishing is an important occupation along the entire coastline. Over a thousand edible species of deep-sea fish are known, of which around 50 are of commercial value. Inshore areas yield large catches of shrimp, lobster and shellfish. Rivers and canals also supply a considerable amount of both salt- and fresh-water fish, but by far the largest commercial catch is from the sea.

In 1964 there were about 246,000 fishermen and 56,470 fishing boats, of which 9,710 were motorized. Total catch was established at 397,000 metric tons. Although some fish are exported, most are sold fresh on the local markets. From 50,000 to 60,000 tons of fish are used each
year in the preparation of *nuoc mam*, a pungent salty sauce that is an important element in the Vietnamese diet. With the introduction of freezing facilities, shrimp culture is being developed, and shipments have been made to France and the United States.

**Hunting and Gathering**

In the Central Highlands the *montagnards* supplement their food supply by hunting and gathering. Among the game taken for food are the deer, wild boar, monkey, wild ox and many smaller species, including wildfowl. Hunting is done by individual stalking and trapping. Traps include various types of snares, pitfalls and deadfalls. Hunters employ bows and arrows, and a few are equipped with firearms.

The *montagnard* women gather bamboo shoots, wild fruits, roots, edible leaves, mint and saffron. Cinnamon is found in the forests of Quang Ngai and Quang Nam Provinces, and, although there is some cultivation of the cassia tree from which the aromatic bark is derived, the highest quality is found in the wild state. It is used locally for medicinal purposes, but the bulk of the product collected is shipped to Hong Kong and the United States for use as a seasoning.

**SPECIAL GOVERNMENT PROGRAMS**

Substantial foreign aid has made it possible for the government to establish a number of special programs to benefit farmers. The most important of these are those creating farm-credit organizations, cooperatives and various facilities for improved agricultural education.

**Agricultural Credit and Cooperatives**

The National Agricultural Credit Office was officially created by presidential decree in April 1957. Its initial capital consisted of assets transferred from already existing agricultural credit agencies which, because of duplication of effort, scattered administration and lack of trained personnel, had been ineffective. It was capitalized at 850 million piasters, of which 330 million piasters were provided by the national budget and the remainder allocated from United States aid funds. By 1965 its capitalization had been increased to 895 million piasters. Its policy was to grant small loans to farmers without collateral and to extend credit to cooperatives (see ch. 25, Banking and Currency).

Agricultural cooperatives existed during the colonial period, but since they were primarily for the purpose of facilitating the export of agricultural products, they were of little benefit to the Vietnamese farmer. Regulations established in 1954 governing cooperatives imposed such complex procedures that no effective leadership or organization was developed. Various rice-milling, fishing, tobacco, char-
coal and forestry cooperatives were in operation before this time, but these had little support and only a precarious financial standing because of insufficient capital and bad debts.

In 1959 the Commissariat for Cooperation and Agricultural Credit was created by presidential decree to coordinate and provide general direction in the area of farm credit and cooperatives without undue interference in the internal affairs of local organizations. In June 1960 there were reported to be 266 cooperatives with a total membership of 96,810 and a paid-in capital of 27,660,807 piasters. There were 40 rice cooperatives, 80 farm cooperatives of other types, 3 forestry cooperatives, 2 livestock cooperatives, 76 fishery cooperatives, 57 handicraft cooperatives, 6 consumer cooperatives and 2 others. The Commissariat was abolished in 1965, and the Directorate of Cooperatives which succeeded it reported 333 local cooperatives with 130,154 members and 6 unions of cooperatives consisting of 154 local cooperatives and farmers' associations.

Farmers' Associations (Hiep Hoi Nong Dan) were also authorized by presidential decree in 1958 and were, in part, designed to supplement cooperative organizations. Established with the assistance of Chinese Nationalist technicians of the Joint Commission for Rural Reconstruction from Taiwan, the associations were organized on village, district, provincial and national levels. In 1965 membership was reported to be 284,130 persons.

Insufficient capital and a lack, at district and village levels, of trained administrative personnel able to explain the purpose and benefits of cooperative action and to direct specific programs has limited the expansion of the cooperative movement. Another obstacle has been the farmer's distrust of all forms of outside authority which, when not feared, has often been resented as interference in village affairs. Furthermore, the government policy of promoting and directing cooperatives from above, without adequate explanation of the program to the people, has worked against it.

The villagers have traditionally cooperated with one another in certain tasks beyond the capacity of the single family or of special importance to the community, such as the repair of dikes, the gathering of the harvest or the thatching of a roof. The principle is not readily carried over, however, into work in which there is no established sanction for joint effort, and much education and demonstration will be needed to develop general enthusiasm for the cooperative movement.

Agrovilles, Strategic Hamlets and New Life Hamlets

Within the framework of rural development, President Diem inaugurated a program for the creation of agrovilles in the Mekong Delta. These new villages, of which there were 21 in 1961, brought
together the inhabitants of scattered and isolated hamlets strung along the banks of the canals and waterways. They were created for the dual purpose of bringing urban benefits to rural areas and providing security for the villagers. The program was controversial, and no agro-villes were constructed after 1961. Criticism included charges of abuse of voluntary labor used in constructing the centers, claims that favoritism influenced the assignment of dwellings, and complaints of failure to provide promised facilities and services. Aside from such complaints, the program inevitably involved the problem of popular adjustment to a radically new pattern of community life.

As the Viet Cong redoubled their subversive activities in the countryside, the need to give protection to the villagers became imperative, and the policy of constructing strategic hamlets was initiated by President Diem in April 1962. The strategic hamlets were fortified centers provided with one or more guard towers, barbed wire fences or moats, bamboo stakes and minefields. The inhabitants of each hamlet coped with ordinary security problems with their own forces.

The hamlet program was based on the concept of community development, with participation by local citizens in proportion to their means. The central authorities contributed to this collective effort through assistance in terms of funds, equipment and personnel to give technical advice and guidance. The Diem government planned to construct about 16,000 hamlets, and by November 1963 about 9,000 (in which 8 million peasants were living) had been built. The government of Major General Duong Van Minh (November 1963 to August 1964) had no policy regarding the strategic hamlets, and the residents in many instances destroyed the defenses. In 1964 the government of Major General Nguyen Khanh (August 1964 to September 1964) adopted the policy of reconstructing the defenses of the hamlets which were rechristened “new life hamlets.”

Agricultural Education and Extension Services

A serious difficulty facing the government has been the shortage of trained personnel to carry out programs for improved agricultural techniques and crop diversification. There was no reservoir of specialists to draw upon, since the tradition in well-to-do families was to send their sons to study the humanities, law or engineering rather than agricultural science.

Recognizing the need for agronomists able to explain modern methods in simple terms to the farmer, the government established a National College of Agriculture at Bao Loc (Quang Duc Province, northeast of Saigon) in 1955. A 4-year institution with a faculty of 17 and an enrollment of over 350, it has benefited from extensive foreign aid. Applications each year have far exceeded the number that could be accepted. There are also two vocational agricultural schools which
are geared to take students with elementary education and give them 2 years of agricultural training. The courses include animal husbandry, agronomy and forestry.

Agricultural extension services have been made available in all the provinces of South Vietnam, and local training centers have been established. Proper application of fertilizers and insecticides, better methods of cultivation and improved techniques of animal husbandry are parts of the extension service program, which operates in conjunction with the rural cooperatives and the farmers' associations. Rural youth groups, called 4-T clubs (similar to 4-H clubs in the United States), have been organized and claim a membership of over 100,000. Where conditions are relatively secure, the 4-T clubs appear to be popular and have made significant contributions to improved agricultural productivity, particularly in the field of animal husbandry. Ten pilot agricultural experimental stations have been functioning for several years, conducting test demonstrations for the benefit of the farmers.
CHAPTER 20

INDUSTRY

In 1965, after 10 years of development with government encouragement and heavy infusions of foreign aid, industry was still small in scale and consisted mainly of light manufacturing and processing of local agricultural and forest products. More than half the establishments made consumer goods for domestic consumption. Plants were heavily concentrated in the secure area of metropolitan Saigon-Cholon. Inevitably the spread of the conflict had begun to undermine industrial activity. The country's only coal mine had discontinued production late in 1964, and it had not been resumed. The implementation of many industrial projects was being postponed until the political situation was clarified, but, nonetheless, expansion continued although at a slower pace.

South Vietnam is relatively poor in industrial resources. There is a vast hydroelectric potential, which, however, would require large sums for development. Agricultural raw materials and some ores offer opportunities for the development of light industries, but the country continues to lack sufficient fuel and power. Only the one coal deposit has been identified, and no oil deposits are known to exist.

By 1965, notwithstanding the difficulties, some progress had been made in creating an industrial base. Certain light industries were in operation, and others were in the planning stage. To make loans to industry, the Industrial Development Center (IDC) had been established by the government with funds derived from United States aid, and the government had attracted other foreign capital. The whole effort, however, was taking place under wartime conditions and during a time in which the Republic had to expend much of its energy and resources in defending itself against the mounting campaign of guerrilla attack, subversion and terror. The prospects for industrial development have been viewed as depending as much on mastering the Communist threat as on solving the economic and technical problems of industrial progress.

BACKGROUND

The extent and character of industry in the past was limited by traditional preferences for other pursuits on the part of the Vietnamese themselves and by French colonial development policies. So
ingrained has been Vietnamese orientation to agriculture as a means of livelihood and to scholarship as the goal of education, that only since World War II has serious attention been given to other economic opportunities and has any esteem been accorded to technical and specialized administrative skills. Those Vietnamese with money usually lacked business experience, and most of them preferred to invest their capital in urban real estate. Industrial development was almost entirely the concern of the French.

French policy was guided by two major principles: the exploitation of those natural resources which provided raw materials for France; and the reservation of the Vietnamese domestic market for French manufactured goods. This resulted in the establishment of a few mining operations and some small processing industries producing items which were uneconomic to import from France or peculiar to Vietnamese culture.

France viewed the area of Tonkin, Annam and Cochin China—now North and South Vietnam—as an economic unit, and, since the southern part of this area was considered best suited for agricultural production, most industrial development was concentrated in Tonkin. In exchange for rice, the North supplied the South with coal, paper, cement, textiles and glass. Saigon-Cholon did have certain processing industries—mechanized mills for the husking and polishing of rice, plants for distillation of rice alcohol, sugar refineries and factories for the preliminary processing of rubber. There were also a few establishments for the production of matches, soap and cigarettes. The first electric powerplant was built at the end of the nineteenth century, but most producers had their own generators.

After 1954 the Republic of Vietnam found itself cut off from its customary northern source of coal and other minerals and certain manufactures. Steps were taken by the government to develop a number of hitherto unexploited natural resources, such as the Nong Son coal deposits (about 30 miles southwest of Da Nang), water power in the Central Highlands (the Da Nhim Project) and the phosphate deposits of the Paracel Islands (in the South China Sea, 240 miles east of Hue) and Spratly Island (375 miles southeast of Saigon).

To reduce the dependence on imported articles, government policy also aimed at the gradual development of small industries, such as sugar refining and the manufacture of pottery, glassware, household articles and fiber sacks. The disturbed condition of the country and the urgent need initially to increase agricultural production kept the industrial development program almost at a standstill for several years. By the 1960's, however, industry still played a minor role in the economy in comparison with agriculture, but industrial activity contrasted markedly with the stagnation of previous years.
A Five-Year Plan for industrial development was announced in 1957, but was never formally adopted. However, a list of plants to be completed by 1965 was released. Scheduled for completion between 1961 and 1964 were two paper mills; a spinning and weaving mill; four sugar mills; two cement plants; a rice-bag plant; four bicycle-tire plants; a soda plant (for the manufacture of sodium carbonate, hydrochloric acid and calcium carbide); a plant for the manufacture of prefabricated houses; an oil refinery; a fertilizer plant; and several pharmaceutical plants. By mid-1962 some of these plants were in operation and others were under construction. A second Five-Year Plan, launched in 1962, could not be followed up as a result of deteriorating security.

NATURAL RESOURCES AND DEVELOPMENT

Since the country has never been completely surveyed, the Republic of Vietnam in 1954 found itself without a clear knowledge of what its scanty natural resources were. In 1959 an agreement was concluded with the United States Operations Mission (USOM) for a geological survey of southwest Vietnam, and in 1961 an operational plan for a mineral survey of central Vietnam was signed with the United Nations Special Fund. As a result of the resurgence of Viet Cong activity beginning in 1960, neither survey has been carried out (see ch. 23, Foreign Economic Relations).

Fuel and Power

The only exploitable coal field is at Nong Son. This deposit, with estimated reserves of 3.5 million metric tons, was worked by the Chinese under the terms of a concession granted by the court of Hue in 1878. Operations, halted before World War II by exhaustion of surface beds and lack of capital, were resumed by the South Vietnamese Government in 1957. Production reached 104,000 metric tons in 1963, but operations had to be suspended in 1964 as a result of repeated Viet Cong attacks. Viet Cong disruption of the transport system had also made it increasingly difficult to move the coal from the mine to customers.

The coal at Nong Son is a somewhat sulfurous anthracite which must be washed before it is marketed. The deposit varies in thickness from a few inches to 60 feet. Coal must be transported on the Song Thu Bon to a transshipment point at Ky Lam just south of Da Nang on the South Vietnam National Railway. The United States Agency for International Development (AID) has invested over $2 million in improvements and technical assistance in order to expand production.

Coal outcrops have also been found in the Mekong Delta. The only other fuel is peat, which is present in the southwestern part of the
country. The deposit has not been prospected, but, on the basis of surface measurements, it is thought to exceed several million metric tons. Pain, however, is not well suited to most industrial uses.

The most important sources of electric power, around Saigon in particular, are diesel and thermal installations which rely on imported fuels costing $8 million annually. Water is potentially an important source of power, but the sole hydroelectric plant serves a single factory in the Central Highlands.

In 1962, South Vietnam had an installed electric power capacity of 107,000 kilowatts and an annual production rate of 359 million kilowatt-hours, up from 212 million in 1956. Eighty percent of the installed capacity was located in metropolitan Saigon-Cholon and its vicinity. Residential use accounted for about half the power consumed, industry for one-third and various public facilities for the remainder. Electric service was supplied principally by five privately owned companies; the four largest were French corporations, the fifth Vietnamese.

Steps have been taken to increase power facilities. In January 1961 the National Office for Reequipment of Installations for Production and Distribution of Electric Power received a loan of $12.7 million from the United States Development Loan Fund (DLF) for the construction of a 33,000-kilowatt thermoelectric plant at Thu Duc (near Saigon) and related transmission and distribution facilities. This thermal plant will provide electric power to the Saigon-Cholon area. Under a reparations agreement the Japanese are building a hydroelectric powerplant at Don Dung on the Da Nhim River, southeast of Da Lat. Together, these plants are expected to meet most of South Vietnam's electric power requirements for the near future.

The Da Nhim Project, which is expected to cost $50 million, is being built in two phases. Involved in the project was the construction of an earthen dam 1,585 yards long across the Da Nhim River. The waters of the river have been backed up to create a lake containing 209 million cubic yards of water and covering an area of 3.7 square miles. The water falls 2,500 feet, producing enough power to turn four generator turbines. Two 42,000-kilowatt generators have been installed, and a transmission line to Thu Duc has been completed. Work on the second phase has begun. On completion of the second phase, power capacity will be 160,000 kilowatts, sufficient to provide a yearly output of 800 million kilowatt-hours.

South Vietnam also has a potential source of power in the Mekong River. The United Nations, through its Economic Commission for Asia and the Far East, has explored the river and proposed a comprehensive development program known as the Mekong River Project (see Glossary), which contemplates plans for navigation, large-scale
irrigation, and an installed electric power capacity of between 10 million and 15 million kilowatts. The Republic would share in these benefits.

Minerals

Mineral deposits do not promise to be of more than moderate economic value. Before partition, gold, lead and copper were mined at Bong Mieu, and prospecting for copper ore was carried out at Duc Bo, both south of Da Nang. The copper seam at Duc Bo has been re-opened, but no regular prospecting has yet followed. During World War II, the Japanese obtained substantial tonnages of high-grade iron ore around Phong Dien (near Hue). Other indications of iron have been found in Quang Ngai and Quang Tri Provinces. During the war the Japanese also mined molybdenite on a small scale at Song Pha in Binh Thuan Province, but the economic value of the deposits has not yet been investigated.

The white sands along almost the full length of the coast, which are reported to contain more than 99 percent silica, are being used as the raw material for a glassmaking industry. A privately financed project at Vinh Cam Ranh is excavating glass sand for export to Japan. Considerable deposits of limestone 3 miles southwest of Hue supply the Long Tho cement plant, and other deposits near the Cambodian border provide limestone for the cement plant at Ha Tien. Clay deposits are numerous and are the basis for a small ceramics industry.

MANUFACTURING

Manufacturing is very limited, but since 1958 some progress has been made in establishing light industries which complement agriculture and cater to the domestic market. The most promising results have been obtained in plants for the processing of local agricultural or forestry products, such as wallboard, sugar, paper, bicycle tires, or other local products, such as mineral waters, glass and cement. Construction of an oil refinery has been planned for a number of years.

In 1965 manufacturing facilities were still characteristically small. There were factories producing cotton cloth from imported yarn, foundries, machine shops, pulp mills and papermills, pottery and glassware plants, match factories, cigarette manufacturing plants, printing plants, leather-tanning establishments and plants manufacturing sandals, soap, brick and tile. Oxygen, acetylene, carbon dioxide and some other industrial chemicals were also manufactured. Important food industries were those producing sugar, beer, ice, alcohol, soft drinks and fish sauce.

Industry was concentrated in the Saigon-Cho Lon metropolitan area. The comparatively few manufacturing establishments elsewhere included some small pulp mills and papermills and assorted
plants making ceramics, fish sauce and some other consumer goods. Production of all important manufactured goods rose steadily after 1957, and the trend was continuing in 1965. The biggest rise was in the production of textiles.

The conversion of food and industrial crops into products ready for consumption, or into a semifinished state, led all other industrial activities in a number of units. In size, such enterprises ranged from the artisan family to the modern mill. Since virtually the entire country produced rice, husking and other processes connected with rice were common activities. Rice milling was the principal food products industry. The large surpluses over the needs of the growers were processed by large mills, located chiefly in the port area of Saigon-Cholon. Most of the big rice mills were owned by Chinese and French businessmen, who also controlled virtually all of the rice-marketing network.

Some rice was converted into alcohol for local consumption, the chief producer being the French Distilling Company of Indochina (Société Française des Distilleries de l'Indochine). The company also produced rum. A few other smaller distilleries were financed by French, Chinese and Vietnamese capital.

The making of cane sugar ranked second in the food-processing industry. The production of sugar more than tripled between 1955 and 1963. Under the colonial regime the highest annual production was 20,000 metric tons. During World War II and the Indochina War many plantations were abandoned, and the production of sugar fell drastically. In 1955, the first year of the Republic, about 7,000 metric tons were produced. By 1963 output had risen to 43,000 metric tons. The import of sugar continued, however, totaling over 54,000 metric tons in 1963.

Of the total production in 1963, 32,000 metric tons of raw sugar came from some 400 small sugar mills in the provinces of Binh Duong, Tay Ninh, Gia Dinh, Bien Hoa, Long An, Vinh Long, Quang Ngai and Quang Nam. Only in Quang Ngai was there a mill capable of producing white sugar. White sugar production was otherwise confined to the large refinery in the southern part of the country at Hiep Hoa, northwest of Saigon. This refinery was formerly owned by French interests, but it has been renovated and newly incorporated as a joint enterprise of the South Vietnamese Government and French capital. The enterprise also owned the Khanh Hoi sugar refinery, which has an annual capacity of between 20,000 and 30,000 metric tons. Plans have been announced at various times for the construction of at least 4 additional sugar refineries, but by the end of 1965 none of the plans had matured to the point of breaking ground.

Textiles were the oldest, most important and fastest growing consumer goods industry in the country. Textile production climbed
from 14.8 million yards of cotton cloth in 1956 to almost 200 million yards in 1965. In the same period the number of looms (power and hand) for all textiles increased from 5,000 to over 20,000, most of the new ones being electrically operated. Projected further expansion should, within a few years, bring the country close to self-sufficiency. Still in 1965 most of the raw cotton was being imported and there was a need to increase domestic cotton cultivation.

Major producers were the Vietnam Cotton Mills, founded in 1955, the Vietnam Textile Company (VINATEXCO), officially opened in October 1959, and the Vietnamese-American Textile Company (VIMYTEX), which began operations in 1959 and expanded in March 1961. All were expanding their operations with government loans and assistance from the United States. Vietnam Cotton Mills has constructed a branch factory in Da Nang which is the first cotton mill to operate outside of the Saigon area. The Vietnam Synthetic Fabrics, Inc., established in June 1960, operates the first synthetic fabrics factory in the country. It is equipped with German-made knitting machines and looms and a dyeing complex from Japan. Using imported raw materials, it produces over 2.5 million yards of synthetic fabrics (nylon, Dacron and Orlon) per year.

By the end of 1965 pottery production equal to domestic requirements was assured by three modern plants, and pottery imports had been prohibited, except for some luxury items. Production of rubber and plastics by 1962 was estimated at 5,000 metric tons and included a great variety of items. A tire factory, owned by French interests, has a daily capacity of 4,000 tires and tubes, mostly for bicycles and motorcycles, and another, formed in 1960, produces 500,000 tires and 100,000 tubes per year. Glassware, by 1962, was being produced at a rate of 25,000 metric tons a year. Pencils and light bulbs were also being manufactured. In addition, there were assembly plants for motorcycles, sewing machines, portable radios and automobile and flashlight batteries. Some 60 laboratories were producing drugs and pharmaceuticals. Four of the largest were either subsidiaries of foreign firms or were licensed to produce foreign products in South Vietnam.

The paper industry consists of two firms. One company, the Donai Paper and Chemical Products Company, began operating in 1962. Its capital was provided by the West Orient Trading and Financial Trust, an Italian-Swiss company, and by the Vietnamese Government. The plant, with an initial production capacity of 9,000 metric tons of writing and packing paper per year, was located to the north of Saigon. The intention was to use imported raw materials only in the beginning, turning later to local wood, bamboo and rice-straw fibers. The second paper-manufacturing enterprise, a joint American-Vietnamese venture, will eventually produce 9,000 tons of paper and 6,000 tons of
pulp. It was expected that the combined output of both plants would be sufficient to meet domestic requirements.

The Bien Hoa Lumber and Sawmills Company, which had a monthly production capacity of 2,000 cubic yards of finished timber, was purchased by the Republic in 1958 from its former French owners. A wood-paneling plant built by this company went into production in 1960, and in 1962 its output was 3,000 metric tons of paneling. The Republic of Vietnam and West Germany have agreed to collaborate in setting up a plywood factory. Equipment for the factory and technical aid will be provided by West Germany.

A few other small industries were engaged in processing local raw materials. The Vietnam Jute Society in Saigon was producing rice bags from jute and kenaf. Its capacity of 3 million bags per year was to be increased to 6 million bags with equipment bought from Ireland. Another rice-bag factory with a capacity of 3 million bags a year and using equipment from Italy started production during 1960 at Bien Hoa near Saigon. The Saigon Feather Mill Company, which has a worldwide market, processed about 1,800 metric tons of feathers a year, using the most up-to-date machinery. A small company for bottling mineral water was located at Vinh Hoa, and a condensed-milk-canning plant, in Saigon.

There were numerous brick and tile kilns throughout the country. Most were traditional village installations which converted delta clay into bricks and tiles. A plant at Saigon produced soil pipe and artificial stone which was used in a wide variety of construction projects. By 1962 the government had taken the first steps toward creating a cement industry designed to displace imports. The Long Tho cement plant, 3 miles southwest of Hue and near good limestone deposits, was acquired in 1959 from the French firm which owned it before World War II. New machinery gave it a capacity of 20,000 metric tons of lime cement a year. By 1961 it was supplying one-fourth of the needs of central Vietnam. Another cement factory, capable of producing 160,000 to 200,000 metric tons annually was built at Ha Tien by French firms and with French insurance credit. It came into operation in 1964 and is under government management. Together with the Long Tho plant, it will supply the whole of the country's demand.

HANDICRAFTS

Craftsmen working in tin, pewter, copper, bronze, silver, gold, lacquer, wood, marble, tile, ceramics, cotton, jute, silk, ivory, tortoise shell and leather produce a wide variety of essential articles and luxury goods. Coppersmiths produce bells, trays, boxes, vases, Buddhist statues, bowls and containers of various shapes and sizes. Potters pride themselves on the traditional and classical designs with which they decorate glazed pots and bowls. Bien Hoa is renowned for its
pottery. Woodworkers include sculptors, engravers and artisans, who inlay mother-of-pearl in wood. Objects decorated with inlay include altars for pagodas, temples, churches and homes; tables; chairs; beds; chests of drawers; screens; and panels. The lacquer industry manufactures all kinds of useful articles, including tables, boxes, trays or purely decorative objects, such as the gilt-lettered maxims written in parallel script and hung against a black background on each side of ancestral altars.

Embroidery is an old and advanced art in the area. Embroidered silks are often given on ceremonial occasions, and designs vary with the purpose of the gift. Fine brocaded silks continue to be woven, and this craft receives special encouragement from the government. Baskets are of all shapes and sizes and are made in close and open weave. Mats, window shades, parasols, hats and fans are also made. The main material, bamboo, is put to an almost endless number of other uses as well.

STRUCTURE AND OWNERSHIP OF INDUSTRY

Before 1954 practically all Vietnamese industry was privately owned. The handicrafts were almost exclusively in the hands of Vietnamese individuals and families. Machine-equipped enterprises belonged to the French and to the few Chinese who had the financial resources, the experience and the interest in business to succeed in this field. What Vietnamese capital there was went, for the most part, into real estate.

Since 1954, important economic changes have taken place. The end of French control brought restrictions on the transfer of profits to France and other measures which made business enterprise less attractive to the French than it had been. As a result, private ownership shifted from the French to the Chinese and Vietnamese. In the rapid liquidation of French business interests, it was more often the Chinese than the Vietnamese who acquired the properties the French put up for sale. Subsequently the Chinese were forced to accept Vietnamese citizenship to retain their holdings.

Although the declared policy of South Vietnam was to reserve areas of the economy for private enterprise, the government has acted to influence the type and character of new industries, especially where foreign private investment has been involved. For industries which it considered basic to the welfare of the country, the government has insisted that it hold at least 51 percent of the stock. It also is sole owner of some manufacturing plants. Its role has been explained as necessary for the development of needed industries which private enterprise was unwilling or unable to start, and the authorities have pointed to the shortage of private capital and the general lack of managerial
experience in the industrial field as factors making their course of action imperative.

**ROLE OF GOVERNMENT**

Various forms of assistance have been provided by the government to promote industrial development. An important step was the establishment in late 1957 of the Industrial Development Center. Its objectives were to provide credit and technical assistance for the expansion and modernization of existing industries and to facilitate the establishment of new industries. Between late 1957 and May 1961 the Center had made available to local industries some 480 million piasters (for value of the piaster, see Glossary). Of this amount, 351 million piasters represented loans; the remainder was in direct investments. No reports have been made subsequently relating to the disposition of funds. An investment bank, Société Financière pour le Développement de l'Industrie au Viet-Nam (SOFIDIV), was created in November 1961 to take over the investment banking functions of the Industrial Development Center. It had, however, not come into operation by the end of 1965.

Although the government has encouraged the formation of cooperatives, most craft industry is organized on a family basis. A Handicraft Development Center, established in 1958, provided organizational and technical assistance and also extended long-term loans to craft enterprises. A Handicraft Sales Store located in Saigon was inaugurated in August 1959. Technical services for the project have been provided through contracts with American consulting firms. The program has expanded the domestic market for handicraft products and helped to create a foreign market which shows promise of becoming increasingly important. To supplement the inadequate private sources of industrial financing, the government-owned Commercial Credit Bank of Vietnam, which operates principally as a commercial bank, was authorized in 1958 to engage in investment banking (see ch. 25, Money and Banking).

A further stimulus to industrial growth was the government's foreign investment policy, which gave foreign investors assurance against war risk, expropriation or possible nationalization. Incentives were also offered in the form of exemption from taxes and guarantees concerning repatriation of industrial and commercial profits.