In 1966 only about 10 percent of the working population earned wages and salaries; the rest were self-employed agriculturists, craftsmen and petty vendors. In the small wage- and salary-earning sector most workers were employed in light industry and in commerce, although, after 1964, there was a slight increase in the number of persons employed in construction work on military installations.

The size and character of the labor force has not been altered significantly by the modest industrial progress which has been made since independence, and under wartime conditions, it seems unlikely that the industrial labor force will increase in size in the immediate future. Moreover, in 1966 there were not enough skilled workers to meet fully the military requirements of the country or the requirements of the industrial sector. The government, assisted by the United States Agency for International Development (AID), was exerting considerable efforts to increase the pool of skilled labor through technical and vocational education. Among the unskilled labor force, on the other hand, there was some unemployment and considerable underemployment.

Because of wartime conditions many local factories are prevented from working to capacity, and some have been forced to close down completely. Furthermore, wartime emergencies have aggravated the general instability of the labor force. As a result of military operations, thousands of workers have become refugees. In an effort to meet the adverse circumstances, rules relating to hours of work have been suspended, and strikes have been banned.

The slow development of industry and the prevalence of family-type craft enterprises tended to limit the potential scope of labor organization. Estimates reported by the press in 1966 of the claimed number of unionized workers in the wage- and salary-earning sector (not including civil service workers) ranged between 150,000 and 400,000. Of these, only some 70,000 were paying dues. More than 90 percent of labor union members were in the Vietnamese Confederation of Labor (Confédération Viêt­namienne du Travail—CVT), oldest of the three legally recognized labor union federations.

Because of the official trend to discourage the participation of organized labor in politics and because of the precarious economic
situation of the large majority of unionized workers, labor unions had not attained great strength. They concentrated on welfare, health and educational programs and on aid in the resettlement of refugee workers rather than on involvement in politics. The political aloofness of labor unions, however, curtailed their effectiveness when bargaining for wage raises and social benefits.

During the 1960's labor unions were relatively successful in organizing significant numbers of industrial workers as well as agrarian wage-earners and persons in service occupations. As against organizational gains, most unionized workers, steeped in family-oriented traditions, did not understand the aims of organized labor and advantages of union membership. Because wages in most labor categories were low compared to the steadily soaring cost of living, many workers had no funds available for union membership dues. Hence, in numerous instances, union management granted membership to workers who merely asserted that they were willing to accept union leadership and participate in union activities.

The government of Prime Minister Nguyen Cao Ky has been concerned about the possible role of labor in politics and its vulnerability to Viet Cong (see Glossary) infiltration. The government's cautious attitude toward organized labor has tended to prevail, although the leaders of major unions have reiterated their anti-Communist attitudes and have, in general, kept aloof from the political scene. Many unions, however, protested the Ky government's requirement for a police permit to hold union meetings and, since June 1965, the proscription of strikes. Although the law has not been repealed, the government has been lax in enforcing it.

A relatively new development since 1962 was the Buddhist interest in the labor movement. Buddhist labor groups have been organized in some areas designed to promote the welfare of workers and encourage the study of Buddhism among them.

Although the government has not favored their organizational and strike activities, it has helped unions to improve the training of labor representatives, taken steps to develop the machinery of arbitration and conciliation and supported union-sponsored welfare and educational programs. These programs also were the recipients of support and financial aid from the United States.

The relationship between employers and workers traditionally was paternalistic. Since most small enterprises of all kinds were family undertakings and usually completely staffed by relatives, paternalism was rooted in social conditions as well as in the ethical principles of Confucianism. The merchant and master artisan commonly housed and fed their employees and were generally responsible for employees' welfare. In return, employees owed the employer obedience and personal loyalty. Although the system has declined in the modern period
with the growth of large-scale enterprises, wage labor and the introduction of Western concepts of individualism, paternalism still characterized many employer-employee relationships in 1966.

CHARACTERISTICS OF THE LABOR FORCE

The hostilities prevailing after 1946 forced thousands of rural workers to flee to the cities. Most of them entered service occupations or became petty vendors and cabdrivers. Some joined the industrial workforce; others were unable to find work of any kind.

The number of rural migrants to the cities reached an all-time high after the intensification of military activities in 1964. Although unemployment statistics are lacking, officials in Saigon and in the coastal cities expressed concern over the growing number of jobless refugees. Skilled only in farming and in the traditional crafts, most of them could not find industrial employment. At the same time, however, the presence of United States military and civilian personnel increased the demand for cabdrivers, servants, petty entrepreneurs and entertainers and improved employment opportunities for unskilled workers from the countryside.

While unemployment posed problems in Saigon and in other cities, many rural areas were beset by labor shortages. Because of military conscription and the cityward migration, common laborers were increasingly difficult to find in some rural areas, particularly those near military installations or locations undergoing extensive reconstruction.

Among the urban labor force there is considerable mobility, even under relatively peaceful conditions. Many industrial workers live in the country and take on factory jobs only during the agricultural slack season. Others hope to accumulate a small sum of cash as petty vendors or servants and return to the ancestral homes as soon as possible (see ch. 7, Family; ch. 11, Religion).

Women represent an unknown but large proportion of the labor force. Vietnamese and montagnard women often perform the major portion of farm chores. In many rural areas, where selling and bargaining are regarded as unworthy of a man, artisan products are taken to market and sold by women. Women of all ages predominate among urban petty vendors. In the textile, food-processing and plastic products industries the majority of workers are women. Most women in the textile plants are under 20 years of age. The nascent communications equipment industry has employed a growing number of women and trained them in skills formerly reserved for men. Many of the large business enterprises, including export-import and real estate firms, are headed and managed by women; the wives of middle- and upper-level civil servants often pursue business activities in their spare time.
Traditional crafts, such as pottery, shoemaking, bronze working and silk weaving, are widely practiced in the countryside. Self-employed artisans concentrate in villages which are known for their specialized products.

In the small wage- and salary-earning sector, however, there is a severe shortage of skilled workers. Military conscription has further reduced their critically low numbers in the industrial sector. Factory owners have deplored the difficulty of continuing operations without skilled workers and complained about the loss of time involved in training women as replacements for jobs requiring skills. In the case of major construction projects the need has been partially met by the importation of skilled workers from Korea and the Philippines.

Government efforts to expand and improve vocational training facilities receive substantial support from AID, including financial contributions for the building of vocational training institutions, technical equipment and the assignment of teachers to vocational training schools. In 1966 some 21 institutions for the training of skilled workers and technicians operated in various parts of the country.

The largest and best equipped school was the National Technical Center at Phu Tho near Saigon which offers training in a wide variety of technical subjects and also trains instructors in these subjects. Tailoring, mechanics and carpentry are taught at training centers in Hue and Hoi An (15 miles south of Da Nang). Other vocational schools are located in Da Nang, Qui Nhon and Vinh Long. A new Training Center in Gia Dinh (5 miles north of Saigon) was opened in 1966. The army offers technical training courses to about 40 percent of its recruits. Officers receive training in transportation, communications and engineering. Many foreign contractors, including those from the United States, offer on-the-job training courses (see ch. 27, The Armed Forces).

There is a critical need for managerial and administrative workers and intermediate-level technicians. The National Institute of Administration in Saigon is the principal institution to train such personnel for the Civil Service. In 1964 the Institute planned to establish 21 provincial training centers (see ch. 9, Education).

Productivity in the industrial sector is low. Many workers are handicapped by chronic illness, malnutrition and inferior living conditions. Industrial workers are only one generation removed from the agricultural work pattern where periods of intensified physical effort (at planting and harvesting time) are followed by idleness. When employed in industrial plants, workers will often stay on the job for several months and then leave without apparent cause.
The first Labor Code, based largely on French labor legislation, was issued under Emperor Bao Dai in 1952. This document, amended by subsequent ordinances, covers various aspects of employment for wage- and salary-earning workers. The most recent version of the Labor Code, which includes ordinances passed up to and including 1963, was published by the Ministry of Labor in 1965. In practice, the Code is supplemented by other legal sources. For example, certain provisions of the Agricultural Code of 1953 and those of the Collective Agreement Governing the Rubber Plantation Industry are frequently invoked to establish criteria for enforcement and to settle labor disputes.

Labor laws are administered by the Department of Labor under the Ministry of Economy and Finance. Headed by the secretary of state for labor (Nguyen Xuan Phong in 1966), the Department maintains an Inspectorate and operates the Vocational Training Office and the Employment Service with regional branch offices. The National Labor Advisory Committee acts in an advisory capacity to the government in matters concerning labor and labor relations. Members of the Committee include the inspector general of labor and representatives of several ministries and of employers and workers. The Manpower Directorate, established in 1964 to deal with manpower needs and problems, also includes representatives from other ministries. In 1966, however, most matters concerning manpower were handled by army authorities.

In 1965, 24 Labor Service Offices (also called Inspectorates) operated under the inspector general of labor. Most were situated in the provinces around Saigon. Each Labor Service Office is subdivided into branches dealing with workers' and employers' claims under the Labor Code, and each operates a placement service and an office of labor hygiene. The Labor Service Offices also help to organize local worker representation and employer organizations. In the absence of regional municipal inspectorates, matters concerning manpower and labor legislation are handled by the province chiefs.

Labor law enforcement is severely hampered by the lack of an adequate number of competent labor inspectors. In 1963 only 460 persons were charged with enforcing the Labor Code throughout the country. Training courses for 100 newly recruited labor inspectors were organized by the Department of Labor in March 1965. At the same time, inservice training was offered to some of those in the field. Both types of training were organized and supervised by the International Labor Organization (ILO). In 1965 the Department was granted 11 scholarships from the ILO to set up courses in labor administration and industrial relations.
The Department of Labor has also initiated a training program for shop stewards from enterprises employing more than 25 persons. Trainees received instruction in labor laws, workers' responsibilities and rights, industrial security and labor relations. In addition, the trainees were offered orientation in governmental labor policies and anti-Communist ideology. In 1966 graduates from the course totaled 316, of whom 234 were from Saigon, 62 from Gia Dinh and 20 from the western provinces.

Lack of adequate personnel hindered efficient operation of the government employment service and its local offices. Generally, only a fraction of the requests for placing unemployed workers were filled by these officers. Most of the workers placed possessed some skills and lived in the Saigon area.

Labor inspections in factories and on plantations were not frequent and rarely extended into enterprises outside the provinces near Saigon. Most inspections involved health facilities on rubber plantations. Some medical inspections also took place in commercial and industrial enterprises of the capital, but only a few were checked for compliance with industrial safety standards. The number of inspections apparently rose in 1966. Labor Secretary Nguyen Xuan Phong in February 1966 reported that some 2,126 factory inspections had been made since the formation of the War Cabinet in June 1965.

While the enforcement of the Labor Code lagged, the government intensified its efforts to improve the general welfare of workers. A total of 20 million piasters (for value of the piaster, see Glossary) have been earmarked by the Department of Labor for workers' housing projects throughout the country. Part of these funds represents profits from the National Lottery (see ch. 8, Living Conditions). Railroad workers, dockers and fishermen will be the principal beneficiaries of the new low-cost housing. Some of the dwellings will be purchasable on a 10- to 20-year installment plan. In 1964, 400 dwelling units were made available for workers in Quang Nam (around Da Nang) and Gia Dinh Provinces. In September of the same year, 76 families moved into a workers' housing project in Hue. More than 150 low-cost housing units were allotted to low-income worker families in the town of Tan Quy Dong (southeast of Saigon) early in 1966.

Day-nurseries and low-cost cafeterias in urban slum areas and recreational and vacation centers in Da Nang, Cho Lon and Vung Tau were planned within the framework of government projects designed to improve workers' welfare. Government assistance was also extended to petty entrepreneurs in the form of favorable credit arrangements. Some 300 taxi and motorscooter drivers became owners of vehicles sold to them on credit.
WORKING CONDITIONS

Hiring and Dismissal

Provisions of the Labor Code require employers to list job openings with the nearest government employment office. Because of lack of personnel, however, the operations of these offices are confined to certain areas, and the scope of their activities is limited. In 1962 government employment offices placed some 4,000 job applicants, but data regarding their more recent activities is lacking. In practice, most employers hire friends or relatives of persons already working for them. Presentation by the applicant of his official identification card, issued by the government, and of written proof of a job previously held are considered sufficient for most employers. Agricultural employees, notably those working on rubber plantations, are hired on the basis of contracts running from 1 to 3 years.

Minors under 14 years of age may not be hired. There are also special laws providing that women and children under 18 may be examined by a medical officer to ensure that the work assigned them does not involve excessive physical demands. The law also prohibits boys under 16 years and women of any age from working below the ground.

The hiring of labor through a professional recruiter-supervisor (cai) has been customary for several centuries and was still practiced in 1966. The cai recruits the workers, supervises their work and pays their wages. The cai himself is hired and paid by the employer and, in addition, retains a share of the workers' wages. During periods of unemployment the cai sometimes feeds and houses the workers recruited by him.

Employers have generally appreciated the cai's services, since he has relieved them of many managerial chores in connection with the labor force. The cai, on the other hand, often demands an excessive share of the workers' wages and prevents them from voicing grievances. Because of lack of funds, workers from rural areas are often unable to return home and are forced to continue on jobs paying token wages and working under harsh conditions. The abuses of the cai system were especially serious among the dockworkers. A decree passed in August 1965 prescribed the conditions under which dockworkers may be hired and paid. It called for the establishment of the Dockers' Management Board, which represents labor, management and the government; determines the number of dockers authorized for each port; maintains a register of dockworkers and their employers in each port; and controls payment methods.

Applicants for civil service jobs are hired after passing competitive examinations. Educational prerequisites for perspective civil servants depend on the position applied for. The baccalauréat is required for
high-level positions; completion of secondary school without a degree, for intermediate jobs; and completion of elementary school, for lower grade positions.

In the event of dismissal or resignation, notices must be given by employers and employees alike. The period of notice varies, depending on locality, on the trade or on the provisions of a collective agreement. Acts of theft, embezzlement, sabotage and the divulgence of industrial secrets constitute reasons for immediate dismissal. Workers who initiate or participate in “political demonstrations, propaganda or activity” at the place of employment are subject to dismissal without notice. Workers, employees and apprentices who have been drafted into the armed forces have reemployment rights upon completion of their military service.

After working for an enterprise or an employer for at least 2 years, workers are entitled to severance pay. The amount of such pay varies according to the period of employment or the type of industry or collective agreement covering the workers. In the wage-earning agricultural sector severance pay consists of 5 percent of the worker's earnings held back as a “forced saving” and matched by the employer by another 5 percent when the worker leaves.

Hours of Work and Wages

The Labor Code provides for an 8-hour workday and a 48-hour workweek. Under wartime conditions, however, rules applying to hours of work may be suspended, and in some cases this has been done. The weekly day of rest is rotated among employees in enterprises which handle spoilable materials and those in transportation, public works and hospitals. After 1 year of service employees are eligible for at least 15 days of annual leave. The 4-day celebration of the lunar New Year (Tet); National Day, on November 1; May Day; and the tenth day of the third lunar month are paid holidays.

There are no legal provisions for paid overtime work for employees in industry, mining and commerce. The rate of compensation for work done outside of working hours is usually established by collective or individual agreements between workers and employers. Agricultural workers receive time-and-a-half pay for work done after hours on weekdays and double pay for work performed on Sundays, in accordance with the provisions of the Agricultural Code.

The Labor Code provides for guaranteed minimum wages but sets different rates according to administrative regions, depending on economic and climatic conditions in the respective regions.

Decree No. 19 of February 1, 1964, represented the first revision of minimum daily wages on a nationwide basis since 1956. The provisions of the new decree, however, applied only to workers in indus-

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try, mining and commerce. An earlier decree (1963) provided for a small wage increase, applicable in the Saigon-Cho Lon area only.

The amounts of the 1964 wage increase were largest in the southern part of the country, notably in Binh Long, Kien Phong, Kinh Tuong, An Xuyen, Gia Dinh and Con Son Provinces (from 34.85 to 45 piasters). In Tay Ninh and Long An the difference between the old and the new wage rates was only a little over 3 piasters (from 38.95 to 42). In Central Vietnam the size of the wage increase ranged from 4 piasters (42 to 46) in Binh Thuan Province in the extreme southeastern part of the Central Highlands to 1 piaster (47 to 48) in Quang Tri Province, just south of the Demarcation Line. In the Highlands, notably in the provinces of Kontum and Pleiku and in the city of Da Lat, wages rose from 45 to 50 piasters. In Lam Dong Province the differential was only 2.40 piasters (from 44.60 to 47 piasters).

The Decree also provided that women and children doing equal work were to be paid the minimum for adult males and that supplementary benefits, such as family allowances, could not be included in computing minimum wages.

Earlier in 1964 a pay raise amounting to one-half of the take-home pay was ordered for civil servants. Family and cost-of-living allowances for lower level civil service workers were raised to the level applicable to top-grade civil service personnel. Earlier decrees sought to equalize salaries and benefits between higher and lower echelon civil service personnel. Governmental orders in July and December 1965 provided for a reduction in salary for government workers who earned in excess of 15,000 piastors per month. According to the decree passed in July 1965, high-level civil service officers were no longer entitled to special allowances for servants, water and electricity.

In practice, the minimum wage raise and the increase in civil service salaries were little more than official gestures and accomplished little to equalize the income with the rising cost of living. In the oil and textile industries and in banking, wages have been above the legal minimum since 1962. Higher-than-minimum rates prevailed in other occupational categories, as well as in the district towns and cities. At the end of 1964 many industrial enterprises granted a 5 to 20 percent cost-of-living allowance to their employees. On the other hand, employment at below minimum wages is widespread, especially among unskilled and occasional workers, because of the lack of personnel to enforce minimum wage legislation. Nevertheless, since 1966 the bargaining position of such workers has improved because of the increased employment opportunities near United States military bases and other installations. In Thua Thien Province (around Hue in the north), for example, common laborers were
paid 100 piasters per day by American employers and 60 to 70 piasters per day by Vietnamese employers.

The upward trend in wages has barely kept pace with the cost of living, which rose by 56 percent between July 1965 and January 1966. Workers are frequently forced to resort to borrowing. Since most loans are available on short-term basis at usurious rates, borrowers are often compelled to take on another job at night to make ends meet.

**Benefits**

Employment-connected benefits are limited to the payment of family allowances and maternity subsidies. The laws operate in some parts of the country only and are not fully enforced. Maternity benefits call for up to 8 weeks' leave at half pay before and after confinement. Married workers with one or more children under 16 years of age are eligible for an allowance representing 6 percent of the base wage of their wage category for each of the first five children and 3 percent for the sixth and each additional child. For a dependent wife, 15 percent of the base wage is payable. Only a few enterprises comply with the law concerning the payment of family allowances. Employers who do pay the allowances tend to choose workers with small families, since the rates increase with the number of children.

The liability of employers for work-connected injuries and illnesses is established by law. Employers are required to pay for medical treatment, hospitalization, medications and appliances for workers who are injured or become ill on the job. Workers are also entitled to 50 percent of their earnings during temporary disability and to a lump sum of 1 year's earnings if they are totally disabled. In practice, these laws are only sporadically enforced, and workers often have to resort to court action to obtain indemnification if they are injured or become ill on the job.

Supplementing earlier legislation, a new decree was passed in October 1965. It sets forth provisions for the prevention and treatment of industrial accidents and occupational diseases and for the compensation of workers for loss of time due to such accidents and diseases.

There are no legal provisions for retirement pension plans for workers and employees except for those in the civil service. Under the terms of a collective agreement applicable to workers on rubber plantations, workers may opt for a lifetime annuity instead of a lump-sum severance pay upon retirement.

The absence of social security legislation is not generally regarded as a major shortcoming. Traditionally, the extended family group is expected to provide for the welfare of the aged and the infirm. Moreover, because of the short life expectancy (35 years), the number of potential beneficiaries of retirement plans would be low.
In practice, working conditions vary widely by industry and geographic area. Large modern enterprises, as well as the major rubber, tea and coffee plantations, however, offer working conditions well above the legal minima. Only few enterprises comply with the laws providing for family allowances, but sick leave is granted by most employers, although there are no legal requirements for it.

Working conditions are generally favorable for the approximately 80,000 textile workers. The Sakymen wool blanket factory near Saigon has dormitories, playgrounds, weekly movies, a medical office and cooperative stores. Other textile plants in the metropolitan area—including Visyfasa, with 600 workers; Vimytex, with over 2,000 workers; and the Dacotex factory—offer free meals, transportation and uniforms to workers. Medical care, recreational facilities and free meals are available to the workers of the Dainamco rubber-processing plant in Gia Dinh Province and to most of the 2,000 workers employed in the plastic products industry. Workers on the large rubber, tea and coffee plantations receive free housing or housing allowances and protective clothing and may purchase essential items at commissaries.

In spite of retirement pensions, cost-of-living supplements and family allowances, working conditions for civil service employees are regarded as below average. Most work in offices inadequately furnished and ventilated, at salaries which are low compared to those outside the government service. The pay raise granted them in 1964 was insufficient to cover the costs of the growing number of essential items which are available only on the black market. To help government workers obtain these items at prices they can afford to pay, the government has planned to establish supply centers for them similar to the post exchanges and commissaries available to American personnel.

For most industrial workers improvement of working conditions above the legal minima is not the main concern. Wages are considered far more important, and workers readily leave a comfortable and clean place of work for another employer who offers a few piasters more under less favorable working conditions.

FORCED LABOR

The practice of requiring people to contribute a certain number of days of work to communal projects each year has been carried on in Vietnam for centuries. Under the emperors who ruled before the coming of the French, masses of people were forcibly employed on various kinds of economic development projects, particularly water-control works. Temporary forced labor of this sort was required of all able-bodied males, but well-to-do persons avoided it by forfeiting a lump sum in cash.
French colonial authorities continued the practice of compulsory labor for public purposes with the corvée, a tax paid in a specified number of days of work on such programs as dike repair, construction of irrigation ditches and roadbuilding. During both world wars corvée units provided important support to the French army in France by building trenches and fortifying positions behind the frontlines. Some were employed in munitions factories.

A government decree in December 1964 ended the drafting of rural inhabitants to work without pay on community projects. The decree provided that persons must receive compensation for such work and that recruiting may take place only in cases of emergency for public or military needs.

**THE LABOR MOVEMENT**

**Background**

Article 23 of the Constitution adopted in 1956 provided that the “right to free trade unions and the right to strike are recognized and shall be exercised in conformity with the procedures and conditions prescribed by law.” The same Article, however, withholds the right to strike from public officials or workers in activities “related to national defense, public security or the needs indispensable to the life of the community.”

Although in the Constitution of 1956, Prime Minister Ngo Dinh Diem (1954–63) reiterated the provisions of the French-formulated Labor Code of 1952 concerning the freedom of labor organization, his regime was more concerned with controlling and regulating the labor unions than with promoting them. This attitude—reinforced by the fear that labor unions and workers were particularly vulnerable to Communist infiltration and subversion—persisted under the government of Prime Minister Major General Nguyen Khanh (January to October 1964). He, nevertheless, promulgated a decree in October 1964 which replaced the provisions of the early Constitution relating to labor and which contained much more specific and extensive provisions concerning the conditions under which unions may be organized and officially recognized.

According to one of the key provisions of the new law, a labor union could consider itself to be officially recognized if within 3 months of its application the government failed to respond to its application for recognition. If refused recognition, labor unions had the right to appeal the government’s ruling. The law also provided that labor unions which failed to hold elections of officers would be dissolved. Labor representatives to the government or to international commissions were to be appointed from the ranks of the “most representative trade union organizations.” As defined by the decree, the “most rep-
resentative unions" were those which have the most members, collected dues regularly and conducted "important activities."

The law also forbade labor unions to conduct or to join political or religious activities and defined illegal strikes. The attitude of the Khanh government to the role of labor in general was reflected in a speech Prime Minister Khanh made to labor union leaders in which he declared that, while his government favored the trend of democratization in management, it expected labor to contribute "ideas and initiatives" rather than to share in the task of running the enterprises.

The Provisional Constitution promulgated by the government of Prime Minister Nguyen Cao Ky on June 19, 1965, contained no explicit provisions regarding the activities of organized labor although such activities were recognized by implication. However, an emergency decree proclaiming the state of war, issued by the Ky government a few days later (June 24, 1965), prohibited all strikes because of wartime conditions. Because of vigorous protests by organized labor, however, this measure was not fully enforced.

Official apprehension regarding possible disturbances perpetuated by unionized workers was heightened by the intensified propaganda efforts of the Viet Cong directed at the labor movement. Throughout 1965 broadcasts and leaflets by the Communist self-styled South Vietnam Liberation Federation of Trade Unions, the labor-arm of the so-called National Liberation Front, encouraged South Vietnamese workers to protest openly against the American presence and against the bombing raids. In October of the same year the Viet Cong issued a call for a general strike to observe the anniversary of the execution of a Viet Cong terrorist. Workers' response to this strike call, however, was negligible.

**Labor Unions**

The traditional labor organization was the *phurong*, a type of guild for the various crafts and trades. Each *phurong* had its own leader and its guarded spirit in whose honor annual rites were held. *Phurongs* also maintained apprenticeship systems, set standards and prices and marketed the products of artisans.

The *phurongs* are unrelated to the modern labor union movement in Vietnam which began in 1947 with the establishment of the Society for the Protection of the Rights of Workers, a local of the French Confederation of Christian Workers (Confédération Française des Travailleurs Chrétiens—CFTC). The Society professed adherence to Christian social ideals, strongly opposed French colonial rule and denounced communism. In 1952 the Society became the Vietnamese Confederation of Christian Labor (Confédération Viêt-namiennne du Travail Chrétien—CVTC). Its organizational activities were directed mainly at workers in industry, agriculture, commerce and the liberal professions.
In 1966 there were 402 legally recognized labor unions organized by craft as well as by geographic area. There were three labor federations, each headed by a small group of men who had founded the federation and continued to manage it. High union officials were elected by indirect vote. Union representatives at the plant level, who presented grievances to the management and maintained liaison with union headquarters, were directly elected, but they themselves had no vote in the higher bodies.

The largest and most important labor union federation in 1966 was the Vietnamese Confederation of Labor (Confédération Viêt-namienne du Travail—CVT), known until 1964 as the CVTC. It had an estimated membership of 300,000, of whom an unknown but large proportion of the members were Buddhists. Reportedly about 20 percent of the CVT members were able to pay the dues of 10 piasters a month. Four labor union confederations and 380 individual unions were affiliated with the CVT. The Confederation was an affiliate of the International Federation of Christian Trade Unions (IFCTU) and of its Far Eastern branch, the Brotherhood of Asian Trade Unions.

The CVT's strongest affiliates were the Farm Workers Federation, with over 100,000 members; the Plantation Workers Federation, with about 25,000 members; the Federation of Railway Workers, with an estimated 3,000 members; and the Transport Workers Federation, with an estimated membership of 1,000. The Confederation of Weavers, a more recent (1964) CVT affiliate, had some 5,000 members, mostly in the Saigon-Cho Lon area. One of the largest dockworkers' unions, the 3,000-member Union of Saigon Harbor Workers, was another new CVT affiliate. The CVT also had strength among textile and hotel employees and among workers in the service trades.

President of the CVT since 1952 and reelected in 1964 was Tran Quoc Buu, who, in spite of criticism by some of the Confederation's affiliates, commanded the firm allegiance of its officials and its membership at large. After 1964 the CVT intensified its organizational efforts among rural workers where it had lost some strength during the early 1960's because of President Ngo Dinh Diem's programs designed to bring about rural reform.

The CVT has been noted for building up its social and educational services. In 1964 it operated 14 social welfare centers, 2 of which were organized in Saigon early that year. The centers were located in workers' districts and offered health education, elementary school courses and recreational activities. Because of intensified counter-insurgency efforts, only 13 such centers were reported in March 1965.

About 250 families of refugee workers benefited by CVT's resettlement projects for refugee workers in Phuoc Long Province, some 80 miles northeast of Saigon. This settlement, however, was disrupted in the winter of 1965 by Viet Cong attacks.
The CVT-affiliated railway and rubber plantation workers' unions were among the chief targets of Viet Cong terrorists. Many railway workers were killed or wounded in the course of duty, and plantation workers were often forced to leave their places of work because of Viet Cong harassment and coercion.

In 1964 and 1965 the CVT consistently sought government assistance to remedy problems which confronted its affiliates and workers in general. A resolution passed at the CVT National Convention in March 1964 asked the government to amend the Labor Code with a provision that dismissal for cause must be examined and agreed upon by labor unions and by representatives of the Department of Labor's local officials. The delegates also pleaded for the extension of the provisions of the Rubber Plantation Workers Collective Agreement to employees of other, smaller plantations. On behalf of the National Federation of Fishermen, the CVT asked for government assistance to establish fishing cooperatives for the purchase of equipment. Fishermen have long been faced with the hardship of having to pay exorbitant rent for equipment and having to sell their catch at lower than standard prices to persons from whom the equipment was rented.

A meeting of 25 CVT affiliated unions (including the textile, machine, plastic products and restaurant workers' unions) in October 1965 petitioned the government to stabilize community prices in order to narrow the gap between wages and the cost of living. The petition called for a 30 percent wage increase and for abolition of discrimination against union members and their arbitrary dismissal. It also demanded the reestablishment of the right to strike.

The Confederation of Workers' Trade Unions of Vietnam (Confédération des Syndicats des Travailleurs Viêtnamiens—CSTV) was founded in 1952. In 1960 it had an estimated 60,000 members; half of these, however, withdrew to form an independent federation. When they failed to obtain government recognition, they affiliated with the CVT as a "special section."

In 1966 the CSTV claimed a membership of 30,000, but the actual number of members was probably much lower. Most lived in the Saigon-Cho Lon area where a number of CSTV unions had a large Chinese membership. Other members were plantation workers and rice farmers. Since 1963 the CSTV has strengthened its ties with the anti-Communist International Trade Secretariats (ITS) and through them with the International Confederation of Free Trade Unions (ICFTU).

The Vietnam Labor Union (Union Ouvriere du Viet Nam—UOV) was organized in 1953. Although it claimed over 40,000 members in 1966, official membership estimates in 1963 barely exceeded 1,000. An affiliate of the free-world ICFTU, the organization represented mostly civilian technicians formerly employed by the French army.
Leadership training continued to be one of the outstanding problems of the labor movement. Most leaders were not workingmen but members of the educated elite or young intellectuals, out of touch with the rank and file of workers. The prevailing view, with evident roots in the old order, seemed to be that only the educated man was qualified to lead. The workers themselves apparently accepted this traditional judgment.

There was a grave shortage of intermediate-level union officials, notably on the plant level, to present grievances to management, assist in collective bargaining and maintain liaison with the labor union's headquarters. In 1963 the CVT organized 13 training courses for 490 labor organizations throughout the country. The courses were subsidized by the International Confederation of Christian Labor and were designed to graduate labor union executives, shop stewards, union management experts and union propagandists.

Labor leader training programs have received official assistance from the government, AID and ILO. In 1965, AID offered 10 scholarships for study tours in the United States and 3 others for local training of potential union leaders and administrators. Under the Colombo Plan several scholarships were granted to unions for leadership training and for sending candidates on study tours to India and Israel and other countries.

International Affiliations

Official representatives of the three major labor federations and of employers associations have regularly attended conferences of the ILO since 1952. The country has been a signatory to ILO conventions dealing with labor inspections, with discrimination against labor union members and with the right of workers to organize and to bargain collectively. A seven-man delegation representing management, workers and the Ministry of Labor attended the ILO conference in Geneva in June and July 1964. The agenda included compensation for industrial accidents and the definition of the status of female labor. Many labor unions are affiliated with the International Trade Secretariats. For example, the Plantation workers Federation of Vietnam is affiliated with the International Federation of Plantation, Agricultural and Allied Workers; the Petroleum Workers of Vietnam, with the International Federation of Petroleum Workers; the Vietnam Union Telecommunication Workers, with the Postal, Telegraph and Telephone International Secretariat; the South Vietnamese Journalists Union, with the International Federation of Journalists; and the Vietnamese Transportation Union, with the International Transport Workers Union.

Vietnamese labor leaders and union representatives have made frequent visits and study tours to foreign countries since 1962. In March
1960, 10 union leaders visited the United States to study working conditions and union activities. In the following December, CVT Chairman Tran Quoc Buu attended the conference of the Brotherhood of Asian Trade Unions in Hong Kong. In the course of reciprocal visits by labor union representatives from the United States, a delegation representing the American Federation of Labor and the Congress of Industrial Organizations (AFL-CIO) visited Chairman Tran Quoc Buu in June 1964. The American delegation was taken on a tour of the CVT-affiliated Rubber Plantation Workers' Union in Phuoc Tuy Province (southeast of Saigon) and of CVT welfare centers in Saigon. The International Longshoremen's Association sent a delegation to Vietnam in the winter of 1965 to advise dockworkers in loading and unloading techniques. Although the CVT is an affiliate of the IFTU, it also maintains contacts with the ICFTU and with labor unions of Western Germany.

EMPLOYERS' ORGANIZATIONS

In 1966 there were 88 legally recognized employers' organizations. Largest and best known were the General Confederation of Vietnamese Employers, established in 1953, and the Association of Employers of Vietnam (also called the Vietnam Association of Employers), established in 1960. Both are affiliated with the International Organization of Employers. Other major employers' organizations are the Association of Catholic Employers of Vietnam and the Rubber Planters and Transport Owners Association. Representatives of labor unions' employers' associations and the government, serving on national and regional consultative committees, take under consideration matters of mutual concern.

LABOR RELATIONS

Although worker representation in enterprises has been gradually gaining during the 1960's, employer paternalism has remained characteristic of labor relations. The concept of subordination to the employer is rooted in the Confucian tradition and is therefore regarded as a natural relationship by the Vietnamese worker. At the same time he expects the employer to treat him with courtesy and with respect for his human dignity. For example, a reprimand by the employer in private is accepted as a matter of course, but if given in front of fellow employees, it constitutes a loss of face and becomes a great personal calamity.

The Confucian tradition, making employers responsible for the welfare of workers, has been the source of a benevolent paternalism on the part of most employers. In the traditional small craft shops and in the small enterprises this attitude manifests itself mostly in cour-
teous speech by the employer to the worker and by granting token material favors to the workers on religious holidays and family celebrations. It is not incompatible with the payment of substandard wages and with the presence of unhealthy working conditions. In fact, legal provisions concerning workers' welfare are often complied with only if enforced by Labor Department officials.

On the other hand, large, modern enterprises, under Vietnamese or foreign ownership, offer extensive welfare facilities and services, including medical care, low-rent housing and schooling. By early 1965 some 16,000 housing units intended for 40,000 workers had been built by private industrial enterprises and plantations. The same enterprises maintained 130 elementary schools for 13,500 pupils.

Settlement of Disputes

Only a few enterprises have formal procedures for the settlement of grievances submitted by individual workers. In many instances, labor union representatives or shop stewards present the grievances to management. Because of the extreme dearth of skilled workers, the latter are usually in a favorable negotiating position with their employers in the event of individual dispute over alleged injustices and rarely need a go-between. Workers may ask officials of the Department of Labor, or union representatives, to mediate in individual disputes with employers.

If settlement is not reached, the workers may file suit in one of the eight labor courts located in Saigon, Dinh Tuong (southwest of Saigon), Bien Hoa, Da Lat, Phong Dinh (near Can Tho, southwest of Saigon), Khanh Hoa (south of Saigon), Hue or Da Nang, respectively. The labor courts consist of a judge appointed by the Department of Labor, two workers' representatives and two employers' representatives. Judgments of the labor courts may be appealed at higher levels of the regular law courts (Court of Appeals or Supreme Court). In practice, nearly all individual disputes are settled on the local level. Department of Labor officials settled 75 percent of the individual disputes in 1962 and 939 disputes between June 1965 and February 1966.

An attempt for settlement on the local level must be made in the event of collective disputes. If no agreement can be reached between workers and management, Department of Labor inspectors mediate between workers and employers. If the parties fail to reach a settlement, an Arbitration Council is appointed by the Department of Labor, consisting of a judge and of employers' and workers' representatives. Rulings of the Arbitration Council are not binding, however, and may be appealed through local government channels. As in the case of individual conflicts, nearly all collective conflicts are settled on the local level. Between June 1965 and February 1966,
55 cases were settled through the mediation of the Department of Labor.

Both individual and collective grievances usually involve compensation claims for sickness or injury contracted on the job, dismissal without cause, wage raises, family allowances and, sometimes, employer discrimination against union members.

**Collective Bargaining**

Collective bargaining is not practiced on a large scale, but provisions of existing collective agreements are generally extended to non-unionized workers. Domestic and family workers, however, are not covered by the provisions of the agreements.

Collective agreements regulate working conditions for rubber plantation workers; oil, textile and bank workers; and workers in government-owned business firms, public transportation enterprises and electric power companies. The agreements must be approved by the government on the regional level or, if the enterprise operates in several regions, on the national level. Provisions usually cover wages, method of payment, bonuses, severance payments and conditions of dismissals.

The Rubber Plantation Workers' Agreement provides for periodic pay raises, and it deals with nearly all aspects of working conditions for approximately 40,000 unionized rubber plantation workers. Its provisions have been made applicable to several thousand nonunionized workers on other types of plantations. The Agreement has been promulgated as an official decree and has been invoked by labor inspectors throughout the country whenever disputes arose on plantations between management and workers. Renegotiations in 1963 provided for an 8 percent pay raise, for the continued payment of family allowances during illness and for the right of workers to appeal disciplinary measures. Another collective agreement, first negotiated in 1962 and applied throughout the country, is that of the bank employees of the Saigon-Cho Lon area. The Petroleum and Chemical Workers Union and the Shell Oil Company signed a collective agreement in March 1965.

** Strikes **

According to legal stipulations, all arbitration and mediation procedures must be exhausted before workers may resort to strike. These provisions have not always been adhered to, particularly since workers have become increasingly restive under the hardships of rising prices and low wages. Strikes have also been called to protest against governmental restrictions of workers' rights to demonstrate and against arbitrary dismissals. Viet Cong agitation among workers also contributed to some of the labor unrest in 1964 and 1965.
A general strike involving some 22,000 workers in transportation and in the electric power, oil and textile industries was called by the CVT on September 21 and 22, 1964, to protest Prime Minister Khanh’s government emergency regulations, promulgated on August 24, of that year. The regulations prohibited strikes and restricted the rights of labor unions. The arbitrary lockout of many employees in a Saigon textile factory employing 2,000 brought about the work stoppage which was eventually settled by the government’s recognition of the right to strike and the reinstatement of the dismissed employees.

Strike and strike threats in late 1964 involving cement workers in Ha Tien, dockworkers, bank employees and workers on rubber plantations and in the tobacco and glass industries were based principally on protraction of official procedures in handling labor union applications for legal recognition, failure to respond to organized labor’s demands for more specific laws concerning relations of labor and management and on arbitrary dismissals.

Demands for wage raises precipitated most of the strikes during 1965. In spite of the ban on strikes announced in June of that year, dockworkers and cigarette factory workers in Saigon struck in July for an increase in wages. In September, Saigon water and electricity workers threatened to strike unless they were granted a 10 to 35 percent wage raise.
Domestic trade provides a livelihood for the largest segment of the population after agriculture. Most enterprises are small; thousands consist of one individual. Wholesale trade in both domestic products and imports is dominated by the Chinese. They also own and operate most of the shops in Saigon-Cho Lon and in provincial cities and market towns, although increasing numbers of Vietnamese are becoming shopkeepers. In the villages the shopkeeper is usually a Vietnamese, the wife of a farmer. Each city and town has one or more marketplace; the majority of the stallkeepers are Vietnamese women, as are most of the peddlers and soft-drink vendors found in the city, town and village.

The buying and selling of rice and other surplus farm produce, livestock, poultry and poultry products, fish and fish products, charcoal, firewood, sugar, textiles, tools and household articles account for the bulk of internal trade. Surplus rice is usually sold by the farmer himself to a miller or to an intermediary for a Chinese dealer in Saigon-Cho Lon. Other farm and fishery produce is usually sold by a member of the producer’s family directly to consumers or to dealers in the marketplace of a town, provincial city or Saigon-Cho Lon. Sugar, domestically manufactured consumer goods and tools are distributed by wholesalers in Saigon-Cho Lon to wholesalers and retailers in provincial centers, who in turn sell them to retailers in the market towns and villages of the province. Most imported foods and consumer goods are marketed in Saigon-Cho Lon, which is by far the largest trading center in the country. Some stocks of imported goods are shipped to Da Lat and Hue where many wealthy Vietnamese live.

During 1965, as the Viet Cong intensified their economic offensive against Saigon, the marketing system became seriously disrupted. The Viet Cong repeatedly cut the main roads leading to the capital and attacked barges on the canals and waterways throughout the Mekong Delta. Rice deliveries to Saigon became slow and uncertain, and prices soared. Hoarding and speculation added to the shortages which were alleviated by imports of rice from the United States. Distribution of goods from Saigon to rural areas was made equally difficult, especially in the mountainous areas to the north where emergency supplies had to be dropped by air. The north-south railway
was rendered practically unusable, except for short intermittent stretches, and it took a major military operation to open the main road leading from the coast to the Central Highlands.

Toward the end of the year, as the areas under Vietnamese Government control were expanded, it was hoped that Viet Cong interdiction of rail, road and water transport would be gradually curtailed and orderly marketing resumed.

**BACKGROUND**

Before the French came, Vietnam was a country composed almost entirely of nearly self-sufficient villages. With each village devoted to virtually identical pursuits—mainly crop cultivation, fishing and subsidiary occupations such as local crafts—there was little need for commerce between villages. The few cities—Saigon, Hanoi and Hue—drew upon the surrounding countryside for their needs.

Under French colonial rule the development of exports—rice, rubber and other crops—and the importation of French manufactured goods greatly stimulated internal commerce. Further commercial activity was generated by the evolution of a pattern of trade within the territories of French Indochina whereby the agricultural surpluses of Cochin China were exchanged for the coal and manufactured goods of Tonkin. French and Chinese were preeminent in trade, largely excluding the Vietnamese.

Although the French dominated the export and import trade until after World War II, they became to a large extent dependent on the Chinese for the preliminary handling of local produce for export and for the local marketing of imported goods. The socially and economically well-organized Chinese quickly assumed the role of middleman between the Vietnamese producers and consumers and the French. The Chinese controlled the rice trade and most retailing and wholesaling, the main development of which began during the 1880’s in the area then known as Cochin China.

In the latter part of the nineteenth century the French began constructing rail lines, and roads; waterways were improved and extended, and many new canals were dug. By 1910 short stretches of railroad were open for traffic, connecting Saigon with nearby centers and Hue with Quang Tri, 30 miles to the north, and with Da Nang, 50 miles to the south. After World War I networks of roads were built from Saigon into the Central Highlands. The famous coastal Mandarin Route from Saigon to Hanoi, originally constructed by the Annamese emperors, was made into a modern motor route. Other new roads connected Saigon with Cambodia and Laos. In 1936 the rail link between Saigon and Hanoi was completed, and this greatly facilitated trade between north and south.
The transportation system suffered greatly in World War II and even more so in the Indochina War which followed; it underwent, in fact, more destruction than any other physical element of the Vietnamese economy. Railway rolling stock was almost totally destroyed or seriously damaged, and most of the highways were left unusable as a result of military action and lack of maintenance. Boats and other obstacles were sunk in the navigable waterways, and silting closed many of the main river channels and harbors to large ships. The great majority of the junks which carried cargo on the rivers and along the seacoast were destroyed.

World War II also began the disruption of the marketing system which had developed during the colonial period. The rice and rubber of Cochin China and the coal of Tonkin were diverted to Japan, and imports declined drastically. The Indochina War and the destruction of the transport system brought to a standstill the movement of goods other than that within the local community. Commerce revived after the cessation of hostilities in 1954, but the partition into North and South Vietnam which took place soon afterwards abruptly shattered the French-evolved exchange of products between these two sections of Indochina, requiring a drastic readjustment in both economies (see ch. 23, Foreign Economic Relations).

WHOLESALE AND RETAIL TRADE

Trade in imported processed foods and manufactured consumer goods continues in unreduced volume. The largest concentration of consumers of imported goods is at Saigon-Cho Lon, although there is demand in other cities where Europeans and well-to-do Chinese and Vietnamese live. Basically, however, the bulk of domestic trade consists of the purchase and sale of agricultural products and locally made essential consumer goods. An appreciable part of this trade takes place at village or town markets where sales are made directly by producers to retailers or consumers. Most of the rice trade, however, moves through channels established by brokers, wholesalers and dealers (who in normal times are also exporters) centered in Saigon-Cho Lon.

Saigon-Cho Lon is the commercial center, and most of the export, import and wholesale houses are situated there. Almost all of the exporters, who are relatively few in number, deal in rice, since rubber, the other main export crop, is shipped directly from the plantations. Many of the approximately 1,000 import houses are small firms. Some—mainly the larger ones—add wholesaling and retailing to their activities and deal in a wide variety of goods. A number are exclusive distributors or sales agents for foreign companies—mainly European, American and Japanese. Importers, exporters, forwarding agents or shippers own most of the warehousing facilities.
Most of these firms are in Chinese hands, but some French concerns are still in business and the number of Vietnamese enterprises is increasing. The larger Chinese merchant houses commonly operate both as independents and as agents for European companies. They channel the produce of the rural areas into the cities for sale or export and, operating through a network of relatives, friends, and members of their "congregations" engaged in business in all parts of the country, provide outlets for imported goods (see ch. 5, Ethnic Groups and Languages). The broker who specializes in locally manufactured goods for domestic sale may receive a commission, as a manufacturer's representative, or may buy on his own account for retail merchandising.

All businesses, including wholesalers and retailers, are required to have licenses issued by the national government. The charge for a license varies according to size and type of business; in addition, there is a provincial surcharge and a further surcharge by the city, town or village. Stallkeepers in the market pay for the right to use a stall; this charge also varies with the type of business.

In Saigon-Cholon there are eight commercial banks which offer plentiful credit to reputable businesses of the metropolis. The Vietnamese Chamber of Commerce, the French Chamber of Commerce and the Chinese Chamber of Commerce are located in Saigon. Vietnamese chambers of commerce are also located in Hue and Da Nang.

The Marketing of Rice

The most important wholesale trade is in rice. Until the 1950's it was entirely in the hands of Chinese dealers located in Cholon who also owned most of the storage and shipping facilities. In close contact with their network of agents in the provinces, on the one hand, and the large French interests on the other, the Chinese figured significantly at every stage of the marketing process. Beginning with 1950, however, Chinese control diminished, especially after the issuance on September 6, 1956, of Ordinance No. 53, which closed to foreigners 11 occupations, including rice milling, dealing in cereals and the transport of merchandise. The Ordinance opened new entrepreneurial doors to the Vietnamese, who seized on the opportunity to develop rice mills and rice merchandising in the delta provinces. Although the Ordinance was enforced for little over a year, the expansion of Vietnamese participation in the provincial rice trade has continued.

Most of the domestic rice which enters wholesale channels is grown in the Delta where the harvest begins in September, rising to a peak in December and January. The farmer, with a surplus of rice to sell, once had no choice but to deal with an agent from a firm in Cholon. He now can continue that practice, or have his rice milled nearby for sale on the local market or shop around for the best price.
among local brokers. Once the rice is sold it is moved by barge or truck by the purchaser.

Most farmers sell their rice immediately after the harvest when the price usually has been between 50 and 55 piasters (for value of the piaster, see Glossary) per gia (44.1 pounds). Some sell throughout the year as they need cash. Only a small minority of the wealthiest farmers retain stocks for later sale when the price has generally risen to 70 to 80 piasters per gia. Farmers of the lowest economic level generally do not grow rice for sale but may sell their rice and buy a poorer quality for home consumption.

The condition of paddy is an important consideration in price. Rice which is properly dried and winnowed commands the highest price. The government has set prices for average quality but not for superior or inferior grades; thus, the broker has a wide price range in which to operate. He may be an agent of a large rice-trading company or he may buy on his own account. He may sell locally, ship to Cho Lon for marketing, or keep the rice in a storehouse in anticipation of higher prices. Because prices are lowest during the period immediately after the harvest, brokers customarily hold large supplies of rice off the market in order to take advantage of the subsequent price rise.

As the Viet Cong have expanded their activities in the Delta, they have introduced numerous obstructions to the movement of rice through normal channels to the provincial centers and to Cho Lon. In areas where they exercised effective control they levied a 40-percent tax in kind on the farmer's annual yield and charged dealers a 4 piaster per gia "circulation tax" for shipments by both barge and truck. Beginning early in 1965, the Viet Cong offered farmers 100 piasters per gia for the 60 percent of their harvest they were permitted to retain, topping the official government rate of 60 piasters per gia. Viet Cong roadblocks between Ca Mau and Can Tho and between Can Tho and Cho Lon, were increased. Attacks on barges on the canals and waterways of the Delta became commonplace. In order to discourage dealers from shipping rice to government-controlled centers, the "circulation tax" was steadily increased until, in June 1965, it reached 12 piasters per gia. Meanwhile, both deteriorating security and poor weather conditions having impaired the prospects of a good harvest, the farmers resorted to hoarding as a safety measure, further reducing rice sales.

By 1965 the government, faced with the necessity of purchasing annually some 400,000 to 500,000 tons of rice to feed the capital and the deficit areas to the north, and of providing the armed forces with 30,000 to 40,000 tons, had become the major customer of Cho Lon's 36 wholesale firms. In the first 6 months of the year, shipments to Saigon were so erratic and government stocks became so depleted that the
Retail outlets vary from the Saigon department store and specialty shop selling luxury goods to the peddler with a few rice cakes, fruits or vegetables to sell. The typical retail enterprise, however, is the stall or small shop of the city, town or village marketplace. A village market may boast of no more than a half dozen shops, while its counterpart in the city may be a great covered square with hundreds of stalls and stores. Saigon has, in addition to its large central market, some 27 others in different parts of the city.

Both the city shops and the open-air stands of the villages are usually family enterprises, generally not large enough to warrant the employment of outsiders. Most city shops are owned and operated by Chinese, although an increasing number of Vietnamese have been entering the field since 1945. In the villages, it is invariably the peasant’s wife or daughter who markets the few pounds of rice, the occasional chicken, or the few eggs he has available for local sale. Regular vendors make their appearance at the village marketplace; others are peddlers who go from village to village selling their wares or exchanging them for local produce. In particular, this is the usual method whereby the wares of the potters, bronze workers, weavers and shoemakers are marketed. These artisans are concentrated in certain villages and are organized into a type of trade guild which functions as a cooperative. A guild member travels from market-
place to marketplace and village to village selling the artisans' products.

Among the *montagnards* who are predominantly self-sufficient there is little trade. The Katu, the Rhade, the Mnong and the Sedang are exceptional in this respect, trading with the Vietnamese and acting as middlemen with other ethnic groups among the hillmen. The Katu trade with the Vietnamese especially for highly valued iron and pots. The Rhade exchange cloth with the Mnong for their pigs and poultry. The Mnong also deal with the Chinese and Vietnamese, exchanging their own livestock, including buffalo, for much coveted salt and jars. The Sedang are quite unusual in the wide extent of their trading alliances among the minority groups of the highlands, dealing in local produce and Vietnamese goods.

**Trade Practices**

Shops are normally open from 9 to 12 and from 3 to 6, and holidays are numerous. There are several advertising firms in Saigon, but they are handicapped by the fact that advertising channels are only slightly developed. Newspaper circulation is limited, and commercial radio broadcasting is nonexistent. Motion-picture commercials are a favored means of reaching rural as well as urban audiences.

In Saigon some merchants on fashionable To-Do Street have adopted a fixed-price policy, and the government has licensed a number of food shops to sell rice at the price set by the government. Bargaining, however, remains the normal accompaniment of most retail transactions. The buyer is expected to reject the price first quoted and is likely to be thought incompetent if he does not do so. The haggling that follows may lead to noisy arguments but rarely to a real quarrel which, in such a situation, would bring discredit on both parties. Barter is virtually extinct.

**TRANSPORT SERVICES**

After the Indochina War transportation facilities were rehabilitated and modernized, greatly expanding the services of motor vehicles, rail and airlines. Nonetheless, the bulk of goods in domestic trade continued to move in sampans and junks on the inland waterways and in carts pulled along the dike roads by draft animals. After 1959 domestic air transport became increasingly important as Viet Cong activity closed major highways to public transportation and rendered inoperable much of the railroad.

The number of buses and other public carriers using the highways increased steadily from 1955 to 1959, in keeping with the rising imports of passenger cars, trucks and, especially, motorcycles and motor-scooters. From 1959 to 1962 this increase continued in all categories,
except passenger cars. By the end of 1962, the dropoff in passenger cars, due principally to wartime conditions, was about 7,000 leaving slightly less than 29,000 still in use. By the end of that same period, the number of trucks and buses had risen to 26,000 and motorcycles and motorscooters to almost 46,000. Most of the passenger cars taken off the roads were replaced by cycles and scooters, particularly in the urban areas.

Buslines are in operation in Saigon, and large interurban buses transport passengers and goods between the larger market towns and cities. Such operations are precarious, however, since the Viet Cong have been active in attempting to disrupt the economy by preventing the movement of foodstuffs into and goods out of major population centers. Transportation to and from local markets includes small buses, converted trucks, motorcycles, motorscooters, and bullock carts, and is also subject to harassment from the Viet Cong. Buslines are owned and operated by both the government and private concerns.

By the end of 1962 restoration and rehabilitation of the railroads had progressed to the point where service provided for over 2 million passengers and loadings of about 400,000 metric tons of freight. In that year, however, as a result of Viet Cong interference with railroad operations, night traffic ceased, and in 1965 the only portion that remained operable was a section between Da Nang and Nha Trang. To keep this part of the line open required considerable assistance from United States troops (see ch. 2, Physical Environment).

An estimated 10,000 craft—barges, sampans and junks—ply the waterways of the Mekong Delta. Some have motors, but most are powered by oars or sail. The Republic also has a merchant fleet consisting of 16 small craft with a total net tonnage of 5,896. Three of the vessels are government-owned; the others are owned by private individuals. The merchant fleet is used largely in the coastwise trade; virtually all South Vietnam's ocean shipping is carried by ships of foreign registry (see ch. 2, Physical Environment).

The main port of Saigon has an extensive area which is equipped with piers, warehouses, cranes and floating equipment. In 1962 the total tonnage entering and leaving the port amounted to 3,621,000 and 3,617,000 metric tons respectively, almost triple the amount of cargo handled in 1960. Other commercial ports, though of much less importance, are at Da Nang, Nha Trang and Qui Nhon. These ports are being dredged and improved by the United States, which is also developing a large port on Vinh Cam Ranh (see ch. 2, Physical Environment).

Air Vietnam (AVN) has continued to make progress and to expand its services. The number of domestic passengers carried on internal routes grew from 52,000 in 1959 to 534,000 in 1964. At the same time international traffic rose from about 30,000 passengers to
almost 70,000. In 1964 under its expanded activities, AVN operated 18 flights a week from Saigon, to Da Nang and Hue, 14 flights to Da Lat, 12 to Ban Me Thuot and Nha Trang, 11 to Pleiku, 6 to Kontum, 8 to Can Tho, Ca Mau, Rach Gia and Phu Quoc, 2 to Phan Thiet. Outside the country, AVN flew 4 times a week to Phnom Penh, 3 times a week to Bangkok and Hong Kong and twice to Vientiane. Its fleet included six DC-3s, one DC-4, one DC-6, one DC-6B, two Cessnas and one Caravelle (see ch. 2, Physical Environment).
CHAPTER 23

FOREIGN ECONOMIC RELATIONS

In 1965 the Ky government, like its predecessor, the Khanh government, initiated extensive efforts to widen South Vietnam's foreign economic relations, especially among Asian nations. These endeavors were directed more toward obtaining aid and adherence in the war against the Viet Cong than toward the development of new trading partners. After partition South Vietnam had received massive foreign aid, mainly from the United States, to reconstruct and develop the economy. By 1965, as a result of protracted military action, the country was becoming even more dependent on foreign assistance. This had been widely sought with some success from a few European nations and Japan.

The prospect was for continued trade deficits which must be covered by foreign aid. Since partition, imports, mostly manufactured goods, have averaged in cost over $250 million a year. On the other hand, exports—mainly rice and rubber—have varied in value from $45 million in 1956 to $84 million in 1960, depending on the size of the rice crop and the world price for rubber. A fall in exports in 1964 was directly attributable to Viet Cong interdiction of rice shipments to Saigon and to other urban centers, necessitating rice imports and the prohibition of rice exports. France remained South Vietnam's major customer, but the United States had replaced France as chief supplier.

BACKGROUND

Before World War II

The foreign trade of Vietnam before World War II was determined by French policy, which regarded France's colonial territories as sources of raw materials and markets for French manufactured goods. French dominance of Vietnamese trade was assured by a special law of January 1892 which applied high tariffs to imports from other countries while imports from France remained duty free. Under the same law customs duties on Vietnamese exports to France were reduced; in 1928 they were removed by a tariff law which established a system of free trade within the French empire. These regulations remained in effect until early 1940 when, under pressure from the Japanese,
a new tariff law was passed setting uniform duties on all goods regardless of country of origin.

During this period exports originating in Annam and Cochin China consisted chiefly of rice and rubber, with rice by far the most important commodity. By 1938 exports of rice from Cochin China—the only rice-exporting area—reached over 1 million metric tons a year. Plantation rubber, introduced after World War I, became an increasingly significant export, rising to almost 70,000 metric tons in 1939. Imports consisted principally of manufactured goods, of which textiles were the most important, followed by machinery and metals.

China, Japan and other countries of the Far East were also important trading partners of Vietnam before World War II, Hong Kong acting as collecting and distributing center for the Far Eastern trade. Rice was the most important shipment to China and to France; rubber, the major export to Japan. The United States was also an important buyer of rubber, taking 16,000 tons, or more than France, in 1937. In exchange the United States supplied petroleum products, machinery and machine tools.

Vietnam had an export surplus in its trade with the rest of the world before World War II. In 1939, although France was less important as a market for Vietnamese exports (it took about a third of the total) than as a supplier of Vietnamese imports (it supplied more than half), Vietnam had a surplus of export earnings over import payments in its trade with the franc area and with the United States. Outside the realm of merchandise trade heavy financial transactions were carried on with France, India and China. Capital from these countries moved into Vietnam, while personal and business remittances to them from Vietnam were substantial.

After World War II

Vietnam's pattern of foreign trade underwent a significant change between 1945 and 1954. Although France resumed its dominant position in the colony's external trade, the United States began to account for an increasingly large percentage of Vietnam's imports and exports. In contrast to the large trade surpluses before the war postwar trade returns revealed a deficit gap between export earnings and import payments.

The fall in export earnings resulted largely from a decline in production as a consequence of war devastation, while the rise in imports was in response to the increased demand generated by the presence of the French Union Forces. The gap was so great that, at least in the years 1952 through 1954, export proceeds were not sufficient to pay for more than 22 percent of Vietnam's import bills. Covering these heavy trade deficits was a substantial franc surplus (for value of the franc, see Glossary). This resulted from the heavy military
outlay of the French Union Forces in Vietnam and the aid received from the United States and France (see ch. 3, Historical Setting). Vietnam was also receiving technical assistance under the Colombo Plan for Cooperative Economic Development in South and Southeast Asia and under United Nations programs, as well as welfare assistance from American and international voluntary and charitable organizations.

In January 1955 the United States began giving financial assistance directly to South Vietnam in dollars, whereas aid had previously been provided through France and in francs. Under the United States-financed commercial import program machinery was established for purchasing imports on a competitive basis from eligible countries of the Free World. The quadripartite arrangements with France, Laos and Cambodia—which previously governed Vietnam's economic relations with the other three and with the rest of the world—were dissolved and replaced by bilateral treaties. Laos and Cambodia were given freedom of navigation on the Mekong, their only practical outlet to the sea, and new conventions were to be negotiated fixing the conditions of passage on the river and through the port of Saigon.

South Vietnam remained temporarily in the franc area but, free to leave at will, severed this connection in December 1955, pegging the piaster to the United States dollar—a reflection of the new orientation of its foreign trade. A bilateral agreement with France retained preferential tariff treatment for the goods of both parties (see ch. 25, Banking and Currency).

**PATTERN OF FOREIGN TRADE**

South Vietnam aims ultimately to make major changes in the commodity composition of its trade with other countries, but because of unsettled conditions it must for the time being live with the commodity trade pattern of the past. Accordingly, since independence, it has produced and exported as much as possible of the same foodstuffs and raw materials that formerly accounted for most of the export trade. It was also still buying the same types of goods from foreign suppliers as before, although imports of petroleum and certain other items had risen as a result of military requirements and the fact that some of the commodities which used to come from the North had to be bought from foreign sources. The main change discernible in the foreign trade pattern after 11 years of independence was the more important trading role of the United States.

Since independence South Vietnam's foreign trade policy has been determined largely by the substantial United States aid available to cover its trade deficit and by the fact that customs duties on imports account for a significant part of government revenues. Thus, value of exports has little influence on level of imports, while loss of revenue

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must be taken into account if imports show a decline (see ch. 24, Public Finance). At the same time, a primary objective of foreign trade policy has been to ensure markets for rice and rubber. The danger of overdependence on these two exports has been recognized, and greater diversification is planned, along with an increase in local output of consumer goods, in order to reduce these imports in favor of capital goods.

Despite a decline in imports from France since 1957, it still remained South Vietnam's main customer in 1964 (see table 4). The United States, however, had replaced France as major supplier, followed by Nationalist China and Japan (see table 5).

France retains certain trading advantages in the Vietnamese market resulting from the close commercial contacts that were developed over the years between exporters in France and importers in Vietnam, as well as from the development of French tastes among many Vietnamese consumers and the maintenance and repair requirements of the large amount of French equipment in use. These advantages are outweighed, however, by the fact that French prices are, in many cases, not competitive with prices of goods from other areas, such as Germany and Japan, and by the emergence of the United States dollar as the main foreign exchange at South Vietnam's disposal.

Japan has won a much greater share of the South Vietnamese import market than it previously enjoyed. Many Japanese products have a price advantage—in terms of delivered prices if not on an f.o.b. basis—over merchandise from other important sources; they also have a special quality appeal for the Vietnamese consumer.

Table 4. South Vietnam's Imports, by Country of Origin, 1957-64

<table>
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<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td>France</td>
<td>82.7</td>
<td>58.8</td>
<td>40.6</td>
<td>51.1</td>
<td>38.8</td>
<td>35.0</td>
<td>31.4</td>
<td>18.2</td>
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<tr>
<td>United States</td>
<td>65.5</td>
<td>54.9</td>
<td>58.5</td>
<td>61.2</td>
<td>68.3</td>
<td>97.2</td>
<td>107.0</td>
<td>126.3</td>
</tr>
<tr>
<td>Japan</td>
<td>61.8</td>
<td>45.0</td>
<td>47.6</td>
<td>52.7</td>
<td>59.0</td>
<td>44.8</td>
<td>27.6</td>
<td>32.1</td>
</tr>
<tr>
<td>Indonesia</td>
<td>15.6</td>
<td>14.5</td>
<td>15.6</td>
<td>15.5</td>
<td>15.2</td>
<td>14.2</td>
<td>18.9</td>
<td>13.2</td>
</tr>
<tr>
<td>West Germany</td>
<td>17.9</td>
<td>13.1</td>
<td>13.2</td>
<td>13.7</td>
<td>14.7</td>
<td>10.3</td>
<td>7.1</td>
<td>8.4</td>
</tr>
<tr>
<td>Nationalist China</td>
<td>8.8</td>
<td>5.6</td>
<td>6.1</td>
<td>5.0</td>
<td>14.3</td>
<td>25.0</td>
<td>37.5</td>
<td>38.3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>6.4</td>
<td>6.3</td>
<td>5.9</td>
<td>6.6</td>
<td>7.6</td>
<td>4.5</td>
<td>4.3</td>
<td>4.9</td>
</tr>
<tr>
<td>Italy</td>
<td>5.4</td>
<td>5.3</td>
<td>5.2</td>
<td>8.6</td>
<td>7.3</td>
<td>4.9</td>
<td>6.4</td>
<td>8.5</td>
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<tr>
<td>Other</td>
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<td>28.6</td>
<td>31.9</td>
<td>25.9</td>
<td>29.0</td>
<td>28.8</td>
<td>46.0</td>
<td>47.9</td>
</tr>
<tr>
<td>Total</td>
<td>238.7</td>
<td>232.1</td>
<td>224.6</td>
<td>240.3</td>
<td>255.1</td>
<td>264.5</td>
<td>286.2</td>
<td>297.8</td>
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</tbody>
</table>

Table 5. South Vietnam's Exports, by Country of Destination, 1957-64

[In millions of dollars]

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<tr>
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<td>40.9</td>
<td>29.7</td>
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<td>25.5</td>
<td>20.4</td>
<td>18.7</td>
<td>15.5</td>
</tr>
<tr>
<td>United States</td>
<td>11.0</td>
<td>5.1</td>
<td>6.4</td>
<td>3.7</td>
<td>3.6</td>
<td>1.8</td>
<td>1.1</td>
<td>2.0</td>
</tr>
<tr>
<td>West Germany</td>
<td>1.2</td>
<td>0.8</td>
<td>11.4</td>
<td>5.8</td>
<td>7.1</td>
<td>6.0</td>
<td>6.6</td>
<td>8.4</td>
</tr>
<tr>
<td>Japan</td>
<td>3.9</td>
<td>0.6</td>
<td>1.9</td>
<td>2.4</td>
<td>1.4</td>
<td>2.0</td>
<td>4.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>0.9</td>
<td>0.9</td>
<td>5.3</td>
<td>7.4</td>
<td>5.7</td>
<td>3.1</td>
<td>7.0</td>
<td>2.4</td>
</tr>
<tr>
<td>Singapore</td>
<td>6.1</td>
<td>4.6</td>
<td>5.2</td>
<td>1.7</td>
<td>2.0</td>
<td>8.0</td>
<td>2.3</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.1</td>
<td>1.2</td>
<td>2.3</td>
<td>4.7</td>
<td>8.0</td>
<td>8.8</td>
<td>5.6</td>
<td>5.1</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.5</td>
<td>3.4</td>
<td>0.8</td>
<td>7.0</td>
<td>4.3</td>
<td>1.1</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>22.0</td>
<td>7.4</td>
<td>18.6</td>
<td>17.7</td>
<td>12.5</td>
<td>11.6</td>
<td>24.3</td>
<td>6.3</td>
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<tr>
<td><strong>Total</strong></td>
<td>80.5</td>
<td>55.2</td>
<td>75.1</td>
<td>84.5</td>
<td>69.8</td>
<td>56.6</td>
<td>76.7</td>
<td>48.4</td>
</tr>
</tbody>
</table>


The government in Saigon has sought to expand South Vietnam's trade with countries of Western Europe other than France. Even before the cease-fire in 1954 Vietnam had negotiated trade agreements with Italy, West Germany and the Benelux countries (Belgium, the Netherlands, Luxembourg). These agreements were concluded within the framework of French trading arrangements with those countries. Transactions were recorded in French francs. Enjoying at that time a credit balance in its dealings with France, Vietnam could use these franc balances to pay for purchases from the other signatory countries in excess of what it could earn from exports to those markets.

Since 1955 South Vietnam's franc balance has shifted from credit to a debit position, and it has been using United States aid to pay for purchases abroad which are not compensated for by its own exports. Under the original provisions of the United States-South Vietnamese economic aid agreement, it was stipulated that United States aid dollars could be spent in part for such purchases if the prices of foreign products were competitive with those of similar products offered by American suppliers. In 1960, in order to lessen the flow of dollars out of the United States, the aid agreement was modified, and restrictions were placed on the use of aid funds to make purchases in certain developed countries. From 1956 through 1959, United States aid financed 85 percent of imports; in 1960, over 74 percent; and from a low of 55 percent in 1961 rose to 66 percent in 1965.

Both exports and imports require a license. Export licensing is designed to control foreign exchange transactions, to prevent the export of commodities in short supply and to enforce the embargo on
trade with the Sino-Soviet block. Each year the government publishes a list of exports for which licenses will be granted. Most exports are subsidized by the government through the licensing system. Import licensing is maintained for the purpose of conserving the foreign exchange and channeling imports into lines of goods desired by the government. Licensing procedures vary with commodities and sources of financing; they are complex and are frequently changed. Evasion of export controls is reported to be widespread, especially on supply routes which pass through Viet Cong territory to Cambodia.

**Exports**

Rubber and rice constitute between 80 and 90 percent of exports. In addition, South Vietnam sells abroad limited quantities of beer, tea, duck feathers, scrap iron, hogs and fish. In 1960, the year South Vietnam’s exports reached their highest peak, of a total valued at $84 million, rice shipments accounted for over $27 million and rubber shipments for $48 million. Rubber and rice exports declined in 1961 and in 1962 showed further sharp decreases. A marked improvement in rice shipments in 1963 raised the level of the export trade. In 1964, however, the trade year was catastrophic as rice sales fell to $5.4 million and rubber sales to $33.3 million of total exports valued at $48.5 million. Exports in 1965 are expected to reach an even lower level.

The decline in rice exports in 1961 and 1962 resulted from the suspension by the government, in July 1961, of rice sales abroad. The worst floods in a number of decades, coupled with heightened Viet Cong activity, had limited the availability of rice stocks in Saigon, and the suspension of exports was necessary to retain food needed domestically and preclude speculation accompanied by undue price rises in Saigon and other urban areas.

Rice exports were resumed in October 1962, the result of an excellent rice crop, and continued at a higher level throughout 1963, reaching a volume of 322,000 tons, valued at $35.7 million, for the year. In 1964 the rise in the prevailing insecurity and floods again caused a drastic fall in rice sales, a trend which became even more pronounced in 1965. Beginning with 1961 the value of rubber exports has decreased with each succeeding year. In 1961 and 1962 this resulted from a fall in the world price of rubber, but in 1963 and subsequent years the annual volume of rubber exports has been declining mainly as a result of disruption of transportation facilities by war.

In 1960 and 1961, South Vietnam sold about 75 percent of its rubber to France and the remainder to the United Kingdom and West Germany. By 1964 only 45 percent of Vietnamese rubber was being shipped to France. The United Kingdom and West Germany were still customers, but additional important purchasers were Italy,
Netherlands, Nationalist China and Spain. After 1954 rubber purchases by the United States, which had been a major buyer, began to decline and are no longer of significance. When rice is available for sale, major buyers are Malaysia, the Philippines and Indonesia.

**Imports**

Manufactured goods of all kinds make up the largest part of imports. Between 1957 and 1964 principal imports were textile fabrics, machinery, metal products, petroleum products, yarns and thread, milk and dairy products, pharmaceuticals, electrical equipment and motor vehicles (see table 6). Since 1957, when domestic industries began to get underway, there have been significant changes in the import pattern. Imports of fabrics, for example, in 1964 were only one-seventh of the 1957 figure, but imports of yarn and thread had almost doubled as a result of the textile mills which had come into production. With the opening of local laboratories, imports of pharmaceuticals have also declined. While imports of consumer goods decreased, imports of machinery and metals showed a steady increase as the industrialization program advanced.

*Table 6. South Vietnam’s Main Imports, 1957–64*

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<tbody>
<tr>
<td>Textile fabrics</td>
<td>43.5</td>
<td>36.9</td>
<td>24.4</td>
<td>24.9</td>
<td>22.9</td>
<td>12.7</td>
<td>6.2</td>
<td>6.6</td>
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<tr>
<td>Machinery</td>
<td>18.4</td>
<td>14.2</td>
<td>17.8</td>
<td>20.5</td>
<td>21.7</td>
<td>31.6</td>
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<td>28.3</td>
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<tr>
<td>Iron and steel mill products</td>
<td>16.2</td>
<td>10.9</td>
<td>12.5</td>
<td>12.3</td>
<td>18.4</td>
<td>16.4</td>
<td>30.4</td>
<td>22.6</td>
</tr>
<tr>
<td>Petroleum products</td>
<td>15.3</td>
<td>16.1</td>
<td>17.8</td>
<td>17.2</td>
<td>17.5</td>
<td>17.7</td>
<td>19.4</td>
<td>18.4</td>
</tr>
<tr>
<td>Yarns and thread</td>
<td>12.2</td>
<td>10.1</td>
<td>11.2</td>
<td>17.7</td>
<td>17.2</td>
<td>15.4</td>
<td>22.0</td>
<td>21.5</td>
</tr>
<tr>
<td>Milk and dairy products</td>
<td>8.9</td>
<td>9.2</td>
<td>9.9</td>
<td>12.0</td>
<td>12.6</td>
<td>13.1</td>
<td>12.6</td>
<td>17.4</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>16.6</td>
<td>12.4</td>
<td>12.5</td>
<td>11.6</td>
<td>12.0</td>
<td>12.5</td>
<td>10.1</td>
<td>10.9</td>
</tr>
<tr>
<td>Electrical equipment</td>
<td>10.4</td>
<td>7.4</td>
<td>8.0</td>
<td>10.2</td>
<td>10.8</td>
<td>14.3</td>
<td>9.6</td>
<td>12.1</td>
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<tr>
<td>Motor vehicles*</td>
<td>229.7</td>
<td>200.2</td>
<td>162.2</td>
<td>191.7</td>
<td>162.7</td>
<td>175.5</td>
<td>161.9</td>
<td>147.0</td>
</tr>
</tbody>
</table>

*Figure also includes bicycles, motor scooters, tractors and parts.


Beginning in 1962 imports originating in the United States increased by 50 percent, resulting from the full implementation of the regulations concerning the use of United States economic aid credits. Nationalist China also benefited from these new regulations, and its sales to South Vietnam more than doubled at the same time that imports from Western European countries and Japan sharply de-
creased. In January 1964 a further decline in French imports followed the South Vietnamese Government's protest to France against the French policy of neutralizing South Vietnam. The protest was accompanied by a decision to discontinue imports from France except on special authorization and to cease issuing import licenses to French trading firms operating in the country. This measure was greatly modified in November of the same year, and France remains an important supplier of consumer goods. The United States, however, furnishes a major portion of metal products, machinery and appliances, automobiles and accessories, textile fabrics and pharmaceuticals, as well as almost all dairy products and wheat flour. Other suppliers are Japan, Indonesia (mainly petroleum products), West Germany, Italy, the United Kingdom, Nationalist China, South Korea and India.

FOREIGN AID AND LOANS

The total of expenditures by the United States for economic and military aid to South Vietnam from January 1, 1955, when the aid agreement was signed with the government through December 31, 1965, is not available. Data is available for the period 1955 through 1962, and the total of both economic and military aid is some $3.6 billion (see table 7). The sum given for military aid does not include aid given in kind, which provides the Vietnamese armed forces with fuel, spare parts and many other supplies and equipment purchased by the United States Department of Defense from its direct military assistance funds (see ch. 27, The Armed Forces). Expenditures for

Table 7. United States Expenditures for Economic and Military Aid to South Vietnam, 1955-64

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<th>Year</th>
<th>Economic aid</th>
<th>Military aid</th>
<th>Total</th>
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<td>1955</td>
<td>322.4</td>
<td>(*)</td>
<td>322.4</td>
</tr>
<tr>
<td>1956</td>
<td>210.0</td>
<td>167.3</td>
<td>377.3</td>
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<tr>
<td>1957</td>
<td>282.2</td>
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<td>1958</td>
<td>179.1</td>
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<td>1959</td>
<td>200.6</td>
<td>41.7</td>
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<tr>
<td>1960</td>
<td>189.0</td>
<td>69.6</td>
<td>258.6</td>
</tr>
<tr>
<td>1961</td>
<td>132.6</td>
<td>66.0</td>
<td>198.6</td>
</tr>
<tr>
<td>1962</td>
<td>110.7</td>
<td>144.0</td>
<td>254.7</td>
</tr>
<tr>
<td>1963</td>
<td>133.2</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>1964</td>
<td>159.3</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Total</td>
<td>1,899.1</td>
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</table>

n.a.—not available.
*Military aid still being given to the French Union Forces.
economic aid from the beginning of 1955 through 1964 total $1,899.1 million. The rural construction program for expanding counterinsurgency activities while stepping up economic and social services to raise living standards, adopted in the spring of 1961, is expected to entail large increases in United States aid (see ch. 18, Character and Structure of the Economy; ch. 8, Living Conditions; ch. 13, The Governmental System).

More than 70 percent of the economic aid funds have been used to support the Commercial Import Program. Under this program money or credits are made available for the purchase abroad of commodities and equipment needed to enable the economy to operate. The piasters which importers pay for aid-financed imported goods are deposited at the National Bank in a special account called the “counterpart fund” (for value of the piaster, see Glossary). Customs levied on these imports are also deposited in the same account. The fund is jointly administered by the Republic of Vietnam and the United States. Periodically, allocations are made from the fund for development projects and in support of military requirements.

The United States has also provided project assistance—aid in the form of goods and services rendered directly to government agencies or to autonomous entities such as the state railroads—for the purpose of building or rebuilding some specific enterprise. Examples of such projects are the refugee resettlement program, the Industrial Development Center and the reconstruction of highways, bridges and the railroad. The United States also carries out extensive programs in public health and education. Technical assistance has been provided in the form of services and training. American, British, French, Italian, German, Dutch, Chinese, Australian, New Zealand and other foreign specialists are working in Vietnam. Many South Vietnamese students and officials are being given specialized training in Vietnam and abroad, mainly in the United States, the Philippines, Japan and Nationalist China.

In 1956 the United States Export-Import Bank lent South Vietnam $25 million for 40 years (at an interest rate of 3 percent if repayment was made in dollars and 4 percent if made in piasters) for the purchase of merchandise and to make subscription payments to the International Monetary Fund and to the International Bank for Reconstruction and Development. In 1958, the United States Export-Import Bank made an additional loan of $25 million under the same terms for the import of equipment. In 1958 the Bank opened a credit of $3.3 million, repayable in 32 years and carrying an interest rate of 3.5 percent, for the development of a telecommunications network.

The United States Development Loan Fund has made three loans to Vietnam; one of $9.7 million to the railroad for the purchase of rolling stock; one of $17.5 million to the Saigon metropolitan area to...
improve the water supply; and one of $12.7 million for the construction of a power plant at Thu Duc. All are long-term loans at 3½ percent interest.

France maintains an Economic and Technical Aid Mission in South Vietnam. It is financed by French credits of over 6 billion old (pre-devaluation) francs, of which more than 300 million are earmarked for technical assistance. Its economic assistance has included such projects as refugee aid, technical education, financial aid to enable the government to implement its land-reform program, the purchase of transportation and industrial equipment and the rehabilitation of irrigation works. Under the technical assistance program the Mission finances training courses in engineering, agronomy and town planning, and it also sends Vietnamese civil servants and technicians to France for advanced instruction. In 1960, France lent South Vietnam 7 billion old francs, repayable in 15 years, and granted a credit of 11 billion old francs, repayable in 5 years, for the purchase of capital equipment in France. Both carried an interest rate of 3 percent.

Under an agreement concluded in 1969, Japan agreed to pay $39 million over a 5-year period as war reparations to the South Vietnamese Government. Of this amount, $37 million is being used for the construction of a power-generating station on the Da Nhim near Da Lat and the remaining $2 million for an industrial center (see ch. 20, Industry). Japan also agreed to a loan for purchasing equipment and materials for a barrage to implement the Da Nhim Project and another credit of $9.1 million for the building of a urea plant. The loan for the Da Nhim Project was for 7 years and carried an interest rate of 5.75 percent.

In 1962 West Germany extended a long-term loan of DM50 million (about US$12.5 million) for the purchase of equipment for several industrial installations and, in 1963, agreed to grant a DM15 million credit for the purchase of drugs, fertilizers and insecticides in West Germany. The credit was to be repaid in 12 years at 3 percent interest. An additional loan of DM25 million was promised to South Vietnam in August 1964.

Foreign aid also includes technical aid under the Colombo Plan and the United Nations and assistance from various United States and international welfare groups. Under the Colombo Plan, Australia and Great Britain contribute the equivalent of over $1 million a year for scholarships for higher education, and Canada has undertaken to finance the aerial survey of the lower reaches of the Mekong at a cost of $500,000 as its contribution to the proposed Mekong River project (see ch. 2, Physical Environment). The United Nations Technical Assistance Administration maintains a group of specialists in South Vietnam and also finances fellowships and scholarships in statistics. The United Nations Special Fund has contributed over a quarter
of a million dollars for the investigation of mineral resources in the Central Highlands (see ch. 20, Industry). American and international religious and charitable organizations are rendering valuable services in such fields as education, public health, distribution of United States surplus foods and various relief projects. They report expenditures in South Vietnam of over $4 million annually.

Additional sources of military aid and economic assistance were sought after the fall of the Ngo Dinh Diem government. In May 1964 it was announced in Washington that the United States and South Vietnam had appealed to 25 Free World countries to start or to increase military or economic aid. The following July, General Nguyen Khanh, then prime minister, asked 34 governments for increased aid to South Vietnam. In August 1964, with the United States acting as mediator, negotiations were reported to be in progress between South Vietnam and 35 foreign governments. As a result it was alleged that commitments totaling $100 million to start new aid programs or expand existing ones, had been undertaken by Australia, Canada, Nationalist China, West Germany, Italy, Japan, South Korea, New Zealand, Iran, the Philippines, Thailand and the United Kingdom. Also seeking a step up in aid and military assistance, beginning in August 1965, Prime Minister Nguyen Cao Ky made visits to Thailand, Nationalist China and South Korea.

BALANCE OF PAYMENTS

Ever since South Vietnam became an independent nation its national accounts have been balanced by substantial grants of foreign aid (see table 8). The larger part of the deficit, which must be met by financial resources outside the country, results from the excess of imports over exports. From 1955 through 1964 the value of each year’s imports was from 3 to more than 6 times the value of exports. In some years the gap is closed slightly by an increase in exports but widens again with a gap in exports and an upswing in imports. The deficit in national accounts has been further aggravated by the outflow of funds for travel, investment and government expenditures abroad.

Grants-in-aid have been almost entirely from United States official sources, but these have been supplemented by comparatively small amounts from other donors. Initially, the annual amount of the United States grants was determined by the local currency requirements of the government. In 1961, however, the United States modified its approach and began to calculate requirements on the basis of South Vietnam’s balance-of-payments deficit position.

On South Vietnam’s capital account the trend in the outflow of private capital was not reversed until 1959 when the government’s program of inducing investment in industry began to be effective. Net capital investment showed an upswing in 1960 but fell again in 1961
### Table 8. South Vietnam's Balance of Payments, 1968-84

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</thead>
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<td><strong>Current account:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imports</td>
<td>-182.2</td>
<td>-217.4</td>
<td>-235.6</td>
<td>-272.6</td>
<td>-268.6</td>
<td>-307.3</td>
<td>-319.8</td>
</tr>
<tr>
<td>Exports</td>
<td>+57.4</td>
<td>+61.8</td>
<td>+88.8</td>
<td>+71.7</td>
<td>+48.7</td>
<td>+83.3</td>
<td>+48.9</td>
</tr>
<tr>
<td>Invisibles</td>
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<td>-13.8</td>
<td>-7.7</td>
<td>-12.4</td>
<td>+1.8</td>
<td>+9.1</td>
<td>+20.4</td>
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<td><strong>Total goods and services</strong></td>
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<td>-169.4</td>
<td>-154.5</td>
<td>-213.3</td>
<td>-218.1</td>
<td>-214.9</td>
<td>-250.5</td>
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<td>Grants-in-aid</td>
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<td>+185.4</td>
<td>+188.6</td>
<td>+163.2</td>
<td>+165.0</td>
<td>+200.3</td>
<td>+192.5</td>
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<td><strong>Total current account</strong></td>
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<td>+16.0</td>
<td>+34.1</td>
<td>-50.1</td>
<td>-53.1</td>
<td>-14.6</td>
<td>-58.0</td>
</tr>
<tr>
<td><strong>Capital account:</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private</td>
<td>+14.6</td>
<td>+8.6</td>
<td>+9.3</td>
<td>+8.9</td>
<td>+31.4</td>
<td>+36.1</td>
<td>+20.0</td>
</tr>
<tr>
<td>Official and bank</td>
<td>-33.7</td>
<td>-24.6</td>
<td>-39.8</td>
<td>+40.4</td>
<td>+22.0</td>
<td>-22.0</td>
<td>+38.1</td>
</tr>
<tr>
<td><strong>Total capital account</strong></td>
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<td>-16.0</td>
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<td>+49.3</td>
<td>+53.4</td>
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<td>+58.1</td>
</tr>
<tr>
<td>Errors and omissions</td>
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<td>+3.6</td>
<td>-0.8</td>
<td>+0.3</td>
<td>-0.5</td>
<td>+0.1</td>
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as a result of unsettled conditions. Liabilities of both the government and commercial banks were greater than assets until 1961. This change in position was almost entirely due to heavy holdings of foreign exchange generated by the United States aid program.
CHAPTER 24
PUBLIC FINANCE

The system of public finance is still in the process of evolution and at the same time is confronted with difficulties ranging from continued military strife to widespread tax evasion. Revenues are largely derived from numerous indirect taxes, a reflection of the country's French colonial background, and the pattern of expenditures demonstrates the high cost of providing ordinary government services as well as maintaining a large armed force to defend the country. Annual budgets are characteristically unbalanced, with foreign aid meeting a major portion of government expenses. The United States supports the defense budget and various other government activities and supplies additional revenues through customs and other duties paid on imports largely derived from United States aid.

BACKGROUND

Before the arrival of the French the imperial government imposed direct taxation, chiefly the poll tax and the land tax. The poll tax was assessed on all persons listed in the registry of inhabitants of each village. Land taxes varied from dynasty to dynasty, but under the Nguyen emperors the land registry of each village indicated the area and boundaries of each field, with the names of the original and present owners. The imperial government left to the villages the collection of taxes for the national exchequer, as well as those for local purposes. It was the village as a unit, not its inhabitants as individuals, that paid taxes to the national treasury. The central authority had no contact with the villages as long as they stayed within the confines of their communities. The financial outlay of the national government and, therefore, the revenue demands imposed on the country as a whole were relatively low because of the delegation of public works and most other economic responsibilities to local authorities and the obligations of local government to pay the expenses of the military contingents they were expected to provide.

The responsibilities of the central government expanded in the colonial period, increasing the need for revenue. Beginning in 1890 the French introduced the land tax, the business license tax, a head tax, excise taxes, customs duties and a variety of consumption taxes. The first direct tax on income, a gross tax on dividends and interest paid by corporations at the source, dates from 1908. By 1938 the head tax had evolved from a tax on salaries, wages and pensions and
into a general income tax with progressive rates. Finally, in 1941, a special tax on agricultural, commercial and industrial profits of both unincorporated and incorporated enterprises was added.

The French administration collected taxes and managed finances and also formulated, authorized and applied budgets. Vietnam as a whole did not exist until 1949, when it became an associated state within the French Union. Before that time funds were channeled through the separate establishments for the protectorates of Tonkin and Annam and the colony of Cochin China. Detailed regulations providing comprehensive financial procedures for all French Overseas Territories had been promulgated by the French Government in 1912, and in 1962 these were still in force with only minor changes in South Vietnam.

In 1949 conventions liquidating various French-administered financial interests were signed by the two states. Although the French retained control of customs, collection of some taxes and other financial matters until 1954, other responsibilities, including that for the preparation and administration of its own budget, were assumed by Vietnam in 1949.

After 1954 the Ngo Dinh Diem government introduced two major budgetary reforms in connection with government reorganization. The first was the abolition of the three autonomous regions into which South Vietnam was administratively divided. The tax collecting and budgetary functions of the abolished regions were transferred to the national government, thereby creating a national budget. The second fiscal reform was the introduction of the National Assembly into the budgetary process, in accordance with the provisions of the Constitution (see ch. 13, The Governmental System).

Early in his second term of office President Diem announced a program of fiscal reform. A commission was set up under the secretary of state for finance which was to make recommendations for simplifying the tax system, eliminating fraud and injustice and raising revenue. Certain of the commission's recommendations were incorporated in proposals made by a joint South Vietnamese-United States committee in 1961 and were adopted by the government later in the same year in a decree which provided for increases in the main indirect taxes. Certain other recommendations were reflected in a simplification of the foreign exchange system, which was, in effect, a devaluation of the piaster (see ch. 25, Banking and Currency; ch. 23, Foreign Economic Relations).

Tax administration in South Vietnam has been handicapped by the lack of an experienced body of career revenue officers. Under the French the Vietnamese occupied only the lower positions in the administrative hierarchy, and in the confusion of the years after World War II, they had little opportunity to gain experience. The exodus
of the French administrators with the advent of independence left a gap which the South Vietnamese were in no position to fill. This situation was a factor in the important use which the newly established government of the Republic made of the indirect forms of taxation, since sales and excise taxes could be collected with greater ease and efficiency than direct taxation on individual incomes and business profits. The withdrawal of French capital, which resulted in a considerable shrinking of the income tax base, also greatly increased the burden on other sources of tax revenue.

The total expenditures and revenues of the government are not published. A major omission in published budgets is the total amounts spent on United States military and economic aid, although these grants provide the greater part of the government's revenue. Domestic sources of revenue, derived mostly from customs duties and excise taxes, cover only a portion of published expenditures. The resulting deficits are, however, covered by United States aid and smaller sums received from France and a few other countries.

The part played especially by the United States and France in keeping the Republic of Vietnam financially on its feet has been the target for criticism only from the Communist-bloc countries. To the South Vietnamese, who place responsibility for World War II and the Indochina War on the foreigner, it seems only natural and fair that the deficits which these conflicts have generated should be financed from foreign sources. It was, in fact, President Diem's ability to obtain financial and other forms of assistance that gave him much of his political strength. As prime minister, Major General Nguyen Khanh sought foreign financial assistance, as has Air Vice Marshal Nguyen Cao Ky as prime minister.

THE BUDGETARY PROCESS

Before 1962 the budget of the South Vietnamese Government consisted of one document which presented a comparison of current and estimated receipts by type and made a detailed exposition of expenditures by major government agency or single department. As required by the Constitution, it was submitted by the president to the National Assembly for approval and was published at the same time. Although the National Assembly voted each chapter and title separately, the budget total was treated as a lump sum appropriation, and the president was bound only by the total amount voted, which he allocated as he saw fit for utilization by government agencies and programs.

An innovation introduced in 1962 was the creation of the Special Budget for Security to include all expenditures of the national armed forces and the supplementary forces, including paramilitary organizations such as the Civil Guard (redesignated the popular Force in
1964), thus permitting flexibility in use of funds without relaxing strict control of government expenses. In the same year the government also established the Special Budget for Economic Development to finance industrial and agricultural development projects. The fourth budget maintained by the government was the Aid Projects Budget which incorporated funds to finance joint government-United States projects and counterinsurgency programs. From 1964 these four budgets were consolidated into the single National Budget, each special budget retaining its identity as a special section within the overall budget. Although most of the government’s fiscal operations are enacted within the framework of the National Budget, additional activities are carried out under a number of extrabudgetary accounts.

The budget is prepared by the Directorate General of Budget and Foreign Aid in the Office of the Prime Minister, formerly the Office of the Presidency. Before the November 1, 1963, revolution, the Directorate General compiled the budget in accordance with instructions from the Presidency. Beginning in 1964, however, the Directorate General has cooperated with the relevant civilian and military agencies in working out mutual agreement on final estimates before preparing the National Budget. In the compilation of the Civil Budget each ministry or department and each province, in consultation with the relevant technical division or divisions of the United States aid mission, prepares its consolidated budget estimate, which is forwarded to the Directorate General of Budget and Foreign Aid. After review and analysis and the holding of hearings on each estimate the Directorate General purposes the final amount of the National Budget, including the subsidy in support of the provincial budgets. The National Budget is then presented to the prime minister who discusses it with the Cabinet. After Cabinet approval the National Budget is promulgated by the National Leadership Committee with the formal sanction of the chief of state.

Procedures differ with regard to other budgets. The National Security Budget is developed in discussions between the Department of Defense and the United States Military Assistance Advisory Group (MAAG) which determines priorities and those items which the MAAG considers the most crucial to United States objectives. The United States generally finances the latter, and such items do not appear in the National Budget. That part of the National Security Budget included in the National Budget usually covers only salaries of Vietnamese Government agency employees and the pay of the South Vietnamese armed forces and paramilitary organizations.

To compile the national Rural Reconstruction Budget, each province prepares a budget estimate in collaboration with provincial technical services, including United States advisory personnel. The estimates are forwarded to the Directorate General of Rural Reconstruction in
the Ministry of War and Reconstruction. The Directorate General of Rural Reconstruction reviews and coordinates provincial estimates, clearing items with pertinent ministries, departments and United States aid officials. After clearance a document consolidating the provincial estimates is presented to the Central Rural Reconstruction Council for approval of programs and budgetary allocations. When the budget has been approved, the Directorate General of Rural Reconstruction is notified and in turn notifies each of the provinces with regard to its rural reconstruction budget.

**GOVERNMENT EXPENDITURES**

Budgeted government expenditures have been published for each year beginning with 1957. Meaningful analysis is, however, difficult, since extrabudgetary expenditures from various Vietnamese government accounts and by foreign donors play a large part in financing government activities. These include amounts spent by the United States and France on military and economic aid and the expenditures of certain autonomous agencies, such as the railroad administration. In addition, functions and staffs have been shifted between agencies from one fiscal year to the next and within the same fiscal year. Furthermore, funds allocated to a particular function may appear in the budgets of numerous agencies or in different parts of the budget. Funds in support of education, for instance, are itemized as expenditures of both the Ministry of Education and of agencies under the Office of the Prime Minister; they are also listed as allocations to the provinces under the aid projects budget or the Rural Reconstruction Budget.

Despite omissions the budgeted government expenditures reflect the large amounts being spent on security maintenance and territorial protection. Each year the largest portion of annual expenditure has been allocated to defense, an average of 40 percent beginning with 1958 through 1961, rising to over 50 percent in 1962, 1963 and 1964, and to 55 percent in 1965 (see table 9). This vast expansion is a result of the United States decision to increase its support of the government's efforts to overcome the Communist insurgents in South Vietnam (see ch. 26, Public Order and Safety; ch. 27, The Armed Forces).

Study of the budgeted expenditures also indicates that, despite heavy defense costs, the funds devoted to community development in rural areas, investments in sugar, textile and paper industries and land development and reform more than quadrupled between 1957 and 1965. During the same period expenditures for reconstruction, maintenance and expansion of roads, railroads, airfields, canals, ports, telecommunications and other public works have risen steadily, as have those for education and public health. Expenditures for other items have been kept to a minimum.
<table>
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<td>Chief of State, Prime Minister's Office, councils and agencies under the Prime Minister's Office</td>
<td>885</td>
<td>876</td>
<td>616</td>
<td>607</td>
<td>127</td>
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<td>Ministry of Information and Youth and Sports</td>
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<td>143</td>
<td>442</td>
<td>549</td>
<td>348</td>
<td>314</td>
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<td>393</td>
<td>397</td>
<td>403</td>
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<td>2,042</td>
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<td>934</td>
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<td>102</td>
<td>106</td>
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<td>Ministry of Health, Labor and Social Welfare</td>
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<td>425</td>
<td>427</td>
<td>476</td>
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<td>896</td>
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<td>306</td>
<td>340</td>
<td>328</td>
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<td>Ministry of Public Works</td>
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<td>General expenditures</td>
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<td>Dissolved agencies</td>
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<td>Ministry of Armed Forces</td>
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<td>Economic development</td>
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<td>Aid projects</td>
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<td>2,000</td>
<td>3,793</td>
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<tr>
<td>Total</td>
<td>15,276</td>
<td>15,214</td>
<td>16,600</td>
<td>22,682</td>
<td>27,050</td>
<td>37,110</td>
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</table>


[In millions of piasters]

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1. Figures for 1966 are projections, other figures are budgeted.
For value of the piaster, see Glossary.

Before June 1966 it included the National Assembly and read "Premier's Office, Agencies under Premier's Office"; before 1964 it read "National Assembly, Presidency, Vice Presidency Agencies under Presidency."

The Department of Information and Youth existed in 1957 and 1958; in 1959 it became the Department of Information, and youth affairs became the responsibility of an agency directly under the Presidency; during the 1961 fiscal year the Department of Information became a directorate general under the Presidency; in 1962 it was transferred to the newly created Department of Civic Action; between June 1965 and February 1966 it was the Department of Psychological Warfare, along with the Department of Youth in the Ministry of War and Reconstruction; in February 1966 the name was changed to the Department of Information and Open Arms.

Referred to in that year as the Department of Civic Action.

In June 1965, became the Department of Finance in the Ministry of Economy and Finance.

Next to the United States economic assistance, the most important sources of government income have been tax revenues derived primarily from indirect taxes, customs duties and excise taxes (see table 10). The tax system was simplified as a result of fiscal reforms effective on January 1, 1962. A number of import taxes were abolished, and an “economic development and national defense surtax” was imposed on all imports in the amount of 25 piasters (for value of the piaster, see Glossary) per United States dollar of value. The customs tariff was revised for numerous items; selected categories of equipment and raw material directly contributing to development were wholly exempt from import duty, and an “austerity tax” was established on all luxuries and on commodities directly competitive with local production. Other taxes were revised or overhauled, including the business license tax, the excise tax on petroleum products (which was replaced by a consumption tax), the income tax on salaries and the tax on income from stocks and corporate shares. Before the 1962 tax reform numerous indirect taxes were the major single source of tax revenue, but after 1962 customs duties took first place.

Indirect taxes are of many types. They include a tax on all production activities from the rice harvest and the fish catch to mining and industry; on consumption of food and drink in restaurants, bars and nightclubs; on the sale of petroleum, oil and lubricants; on theatricals, musicals and sports matches; and on the use of automobiles and other motor vehicles. Customs duties are charged on both imports and exports. An additional “austerity tax” is applied to a frequently revised list of imported luxuries and an “equalization tax” to similar commodities of diverse origin. Excise taxes are imposed on the sale of alcohol, beer, carbonated drinks, tobacco, cigars and cigarettes. Charges are made for the registration of legal documents and for many business documents attesting to purchase and sale. Direct taxes are imposed on all profits regardless of source; on salaries, wages, pensions and rents; on income; and on land.

The prevailing state of insecurity makes the collection of revenue from land taxes difficult. Inexperience in fiscal administration and tax evasion contribute to the difficulties of tax collection. A survey made by United States experts in 1964 showed that nonpayment of taxes varied from 5 to more than 70 percent and that, in 53 percent of the cases, the rate was higher in the urban areas than in the rural areas. It was also found that nonpayment had increased from 44 percent in 1960 to 74 percent in 1964.