

Demand is high and so are prices. The mills are made little attempt to improve the quality of their product or the efficiency of their operation. They are just producing rough lumber.

The basic equipment is relatively inexpensive and easy to operate and maintain but the methods used are labor intensive, slow and inefficient and do not produce a standard quality product. Some modern auxiliary handling equipment was installed in one mill in BanmeThnot for demonstration purposes but only one demonstration clinic was held in the first year and a half so little has been accomplished in improving the productivity of labor. Other aspects of the forestry/lumber area that needs attention is in an inventory of available forestry resources so a sound plan for exploitation can be developed. A reforestation program should be started. There are several hundred million piasters in a special fund at the national level for such a program. Utilization of the highlander people in reforestation would be a logical step. Along with improving the efficiency of their mill operations they must also introduce the proper equipment late cutting and getting the logs from the forests to the mills. The increased revenues that the GVN has been getting and would receive from expanded lumbering could be partially used to assist in the improvement of the lumber industry. There are several wood processing industries that could be developed with eventual entry into the world market as an attainable goal. There are many in the lumber milling business who are ready for new ideas. All they need is some leadership and encouragement from the GVN.

The reduction of restrictions along the coast and the heavy demand for fish are causing a revival of the fishing industry. It had deteriorated badly

during the past several years. Much of the effort to regain lost ground is simply a return to their old traditional outmoded ways with simply a new motor added. To move fishing from the antiquated, inefficient low production status at present into the major industry, that it could and should be will take major investments in facilities, boats and new gear plus the training of the fishermen. As in the lumber industry there is a growing awareness on the part of many fishermen that better ways are possible. The GVN could play a significant role in taking advantage of this awareness to bring about a necessary modernization of the fishing industry. This should not just be in catching of the fish but in processing as well. Internal demand could be satisfied at a cheaper price and world market entry would be possible. There is an opportunity for dramatic improvement. Several Ministries make a pretense at conducting vocational training (MOLRA, Social Development, Chieu Hoi, Labor, Education, MDRM) but none are doing an acceptable job. Each claims to have too small a budget, inadequate facilities and too few or unqualified instructors. Skill training should have been placed under one ministry so that inadequate resources in several ministries could be combined to make skill training of acceptable quality possible. One of the keys to successful development in this country will be the efficient use of available manpower and that means people who have received sound vocational training.

Expansion of credit and the establishment of credit institutions has not kept pace with the increased need for capital by the small farmer, fisherman and businessma. The cooperative movement has not caught on in any way to be of assistance. ADB has expanded its-operations but still reaches only

a small proportion of those that need credit. The "return to village" movement of refugees has placed an added burden on already inadequate resources. An expanded and more responsive credit system is a must if efforts to improve the condition of the rural villages are to be successful.

The process of raising some one quarter of the population, the Highlanders, above the subsistence level in agriculture is very slow so most of them remain in a low productive status and are net consumers so constitute a drain on resources. This is covered in more detail in another part of this report. One of the most encouraging factors is the increased indications that more local businessmen with money to invest are willing to consider longer range development projects instead of quick turnover-high profit commodity trading ventures. Involving local capital in longer range development is a must. There seems to be an impressive amount of capital available in the business community. Most of the potential investment opportunities are in small or moderate sized industries so do not attract the interest of the Industrial Development Center at the Central government level. These small industries make not be very impressive on a national level yet they are the most reasonable for the rural areas and they can fill an important function and can form a solid base for the economy. There is an overall shortage of management skills and most investors face a multi-faceted time consuming process in the importing of machinery yet there are many who are willing to try. The central government must recognize the problems and needs of the small businessman-investor and give him some assistance. The private sector has been ignored yet it is the one that can contribute immeasurably in the development process if given an opportunity and the encouragement.

Reduction of the U.S. presence is already being felt in several places and

as the process continues the adverse effects will increase. The capacity of the private sector and of the public sector are not capable of providing adequate alternatives to cushion all of the ill effects. There will be some unfortunate dislocations and hardships but overall the process should be gradual enough to allow a reasonable transition and adjustment period. Unless replaced by some other source then obviously the net effect of reduction of U.S. spending in many areas of the local economy is going to have a depressing result.

Prices have showed a steady long run increase. This has effected every activity involving advanced planning in funding. Inflated costs create problems in day to day operations as well as long range planning. Attempts to control prices are ineffective. The provincial government possess the authority to set prices and to enforce them but there is an almost universal lack of effort to do anything about the rising prices so there is increasing discontent and worry on the part of most of the population. For many fixed income GVN workers there plight is serious and they spend an inordinate amount of time trying to make ends meet. This usually means getting a second job, engaging in corruption or leaving government service. All of these alternatives are to the detriment of the GVN.

The economy of this region has never been quick to change best changes are occurring. There has been steady progress since the recovery from Tet 1968. The new rice varieties are an example of a whole range of side effects that one change can bring about. Expansion of the new rice varieties creates increased demands for all the inputs (fertilizer, insecticides, tools, pumps) the increase income to the farmer allows him to buy a variety of goods that he couldn't

afford previously. There will be increased requirements for milling, packaging, transportation and storage. Each will be a stimulus to the economy. The economic side of life has been overshadowed until recently by security problems and it is recognized that future progress will be influenced to a high degree by changing security conditions. Given proper attention and in spite of the many obstacles to progress there can be steady progress though not without problems and temporary setbacks.