

September 20, 1955

VIET NAM

ECONOMIC AND TECHNICAL COOPERATION PROGRAMS

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Economic Background

Viet Nam lacks the financial resources required to meet the heavy costs of maintaining its armed forces, of resettling the large numbers of refugees and displaced persons, and of improving the rural economic conditions which are major causes of dissatisfaction and subject to Communist exploitation. Normal revenues are expected to provide during 1955 only about 30 percent of the expenditures needed for civilian and military purposes; total exports are expected to cover only about 25 percent of the imports required to maintain consumption and offset inflationary pressures generated by heavy military expenditures.

Government action to deal effectively with the critical economic conditions of the preponderant farmer class has lagged due to its pre-occupation with pressing political problems and general administrative weaknesses. Insecurity and political instability, shortage of competent technicians and administrators, and inadequate credit facilities hamper constructive development of all kinds. The Government's efforts to establish its authority throughout the country and to maintain peace and order are handicapped by poor transportation and communication facilities, lack of trained civil servants, and an ineffective police system.

Program Objectives

Major objectives of the U. S. economic and technical cooperation programs in Viet Nam are to:

1. Provide support in reorganizing and training the national army.
2. Maintain internal economic stability.
3. Integrate into the economy the two million or more refugees, displaced persons, and demobilized soldiers.
4. Strengthen the structure and effectiveness of the Government, to make it more responsive to the needs of the people and thereby gain increasing popular support.

Aid Levels (in millions of dollars)

	FY 1955 Obligations	FY 1956		Unexpended Balance June 30, 1955
		Congressional Request	Tentative Aid Level	
Defense Support	320.3	237.4	163.0	193.9
Military Forces Support	(234.8) <u>a/</u>	(136.6) <u>a/</u>	(75.0) <u>b/</u>	(167.2)
Refugee Program <u>c/</u>	(55.8)	(47.0)	(40.0)	(4.9)
Development Projects <u>c/</u>	(29.7)	(53.8)	(48.0)	(21.8)
Technical Cooperation	- <u>d/</u>	4.2	3.5	-
Total <u>e/</u>	320.3	241.6	166.5	193.9

a/ For calendar year (CY) 1955 and CY 1956 local currency requirements, respectively.

b/ Partial allocation for Jan.-June 1956 requirements.

c/ Amounts shown are for fiscal year (FY) dollar and local currency requirements.

d/ Integrated with DS development projects above.

e/ Excludes following amounts (in millions) for Direct Forces Support: CY 1955 (administered by ICA), 18.5; CY 1956 (administered by Defense) - Congressional request, 18.4, and tentative aid level, 27.4; unexpended balance (8/30/55), 18.5.

Defense Support Program

Of the \$320.3 million in the total FY 1955 program for Viet Nam, \$234.8 million was obligated for military forces support and \$55.8 million for the refugee program. The balance of the funds, or \$29.7 million, financed activities designed to strengthen the Government and economy of Viet Nam, with special emphasis on public administration, transportation, communications, and agriculture. These activities include: Michigan State University contracts for police training and advisory services to the Institute of Public Administration, and for other assistance to improve government operations; highway repair and the opening of feeder roads to connect the capital with outlying areas; improvement and expansion of the government information services; the development of land reform measures and rural credit facilities; and irrigation and drainage.

Of the total \$320.3 million obligated for defense support purposes in FY 1955, \$296.3 million or over 90 percent was utilized in ways (i.e. saleable commodity imports or direct dollar transfers) which would provide local currency to meet internal costs (in millions) as follows: \$234.8 for military forces support, \$39.0 for refugees, and \$22.5 for development projects.

Current thinking with respect to the FY 1956 program is that the greater part of the aid funds will continue to be used to provide necessary local currency support to the armed forces, and to finance the importation of commodities and equipment for essential civilian supply. Emphasis in the refugee program will shift from evacuation and relief to rehabilitation and resettlement, with attention focussed on making the refugees self-supporting. Police training will be expanded and intensified. The main arterial highway connecting Saigon with the Northern border will be rehabilitated. Greater emphasis will be placed on land reform and other activities in a rural program.

Technical Cooperation Program

During FY 1955 technical cooperation activities in Viet Nam were not separately identified, but technicians, contract services, and participant training were provided from defense support funds. Current thinking for FY 1956 is that about 40 percent of the technical cooperation funds will be used for supplies and equipment, another 25 percent for contract services, and the remainder for costs of U. S. technicians and trainees. It is expected that emphasis will be placed on public administration, agriculture, transportation, communications, education, and health and sanitation, and that the number of trainees in these fields will be increased.

Other Economic and Technical Assistance

French economic aid to Viet Nam in calendar year 1955 will total some \$9 million. United Nations technical assistance for 1955 will amount to \$100,000. Australia has given token amounts of earth-moving equipment. About a dozen U.S. voluntary agencies have contributed supplies and personnel to assist with the refugee program.

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VIET NAMPLANS FOR A COMPREHENSIVE RURAL PROGRAM

(A problem that may be raised by the USOM
and/or the Viet Nam Government)

The Problem

The problem is to increase political stability through Government action to meet the farmers' demands for security of land tenure, production credit, work animals, fertilizer, tools, and marketing facilities. The Government's rural program is inadequate in scope, and ineffective in reaching farmers. This is largely due to (a) failure of the Viet Nam Government to appreciate the urgency of the need to improve the farmers' conditions; (b) a lack of administrative organization, experience, and trained personnel in the Government; (c) inadequate farmers' organizations at the village level; and (d) the Government's preoccupation with other urgent problems.

Anticipated Viet Nam Position

1. Until recently the Government of necessity has been preoccupied with establishing security, care of northern refugees, and other pressing problems. Nevertheless, a land reform program has been adopted which includes: (a) reduction of rents to a maximum of 15 to 25 percent of major crop, (b) written tenant-landlord contracts, (c) creation of tenant-landlord commissions at the village level to administer the laws, and (d) Government allotment of uncultivated land to refugees and other needy persons.

2. The Government also has given consideration to a land purchase and redistribution program. There is some evidence, however, that the landlords will expect to be paid at least 25 percent of the purchase price in cash. Since practically no budget funds are available for land purchase, the Government may request the U. S. to provide additional aid funds for this purpose.

Recommended U. S. Position

1. The importance of loyalty to the Government and stability in the rural areas demands an acceleration of efforts to improve the farmers' condition. In this endeavor the U. S. will extend all possible assistance but the primary responsibility is Viet Nam's own.

2. The U. S. believes that such an endeavor will require a substantial sum of money for farm production credits, work animals, farm tools, fertilizer and irrigation. The FY 1956 U. S. aid program tentatively includes substantial increases in funds for such purposes.

If the Government of Viet Nam is prepared to embark on a vigorous and effective program needing still more money, the U. S. will be pleased to consider with the Viet Nam Government how best to use funds it could make available for such a program.

3. U. S. agreement to provide aid funds to Viet Nam for land purchase and redistribution would involve a radical change in U. S. policy. The U. S. therefore cannot accede to a request for such assistance. However, the U. S. Government would be willing to consider how best it could help the Viet Nam Government implement a land purchase and redistribution program, provided a practical program could be developed.

4. The U. S. strongly urges the Government of Viet Nam to take the following actions and offers to provide all possible technical assistance to make the program successful.

a. Give top priority to strengthening the administrative machinery of the Government necessary to carry out quickly the program adopted.

b. Undertake a vigorous expansion of cooperative farmer organizations at the village level in order to facilitate the distribution of credit and commodities needed for productive purposes and to provide marketing facilities for produce.

c. Intensify the implementation of existing land tenure laws with emphasis upon comprehensive enforcement of rent controls.