



# CURRENT

# FOREIGN POLICY

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## U.S. Assistance Program in Viet-Nam

Revised July 1972

### OBJECTIVES

The Agency for International Development (AID) administers the U.S. economic assistance program in Viet-Nam. It is the largest and most complex program administered by AID in any nation.

As of February 1972, about 1,300 employees held jobs in Saigon and in the provinces of Viet-Nam. They included employees under special contracts and persons on loan and detail from other U.S. Government agencies. Constantly exposed to the hazards of war, 100 of AID's personnel have been killed or injured by enemy action since the early days of the program.

From 1954 to March 1972, the U.S. foreign assistance program has spent or committed approximately \$5 billion in economic aid to Viet-Nam. Although small compared to military expenditures, economic aid has changed for the better the lives of the Vietnamese people.

AID's objectives in Viet-Nam include helping the Government of Viet-Nam to:

—Develop its economy in a manner which will lead to eventual economic self-sufficiency;

—Bear the increased costs of the war and thereby help the Vietnamization process;

—Prevent run-away inflation and severe economic dislocations;

—Care for refugees, civilian casualties, and other war victims.

### MAINTAINING ECONOMIC STABILITY

The expansion of U.S. military and free-world forces in Viet-Nam during the period 1964–68, and the increased strain of war-related demands on Vietnamese resources, severely distorted that nation's economy.

Agricultural production declined when farmers abandoned their land for safety in the cities. As manpower was diverted to the military, the supply of goods and services failed to keep pace with the growth in purchasing power. As a result, strong inflationary pressures developed which jeopardized political, social, and economic gains and interfered with the progress of the war.

To help solve these problems, AID has worked closely with the Government of Viet-Nam in devel-

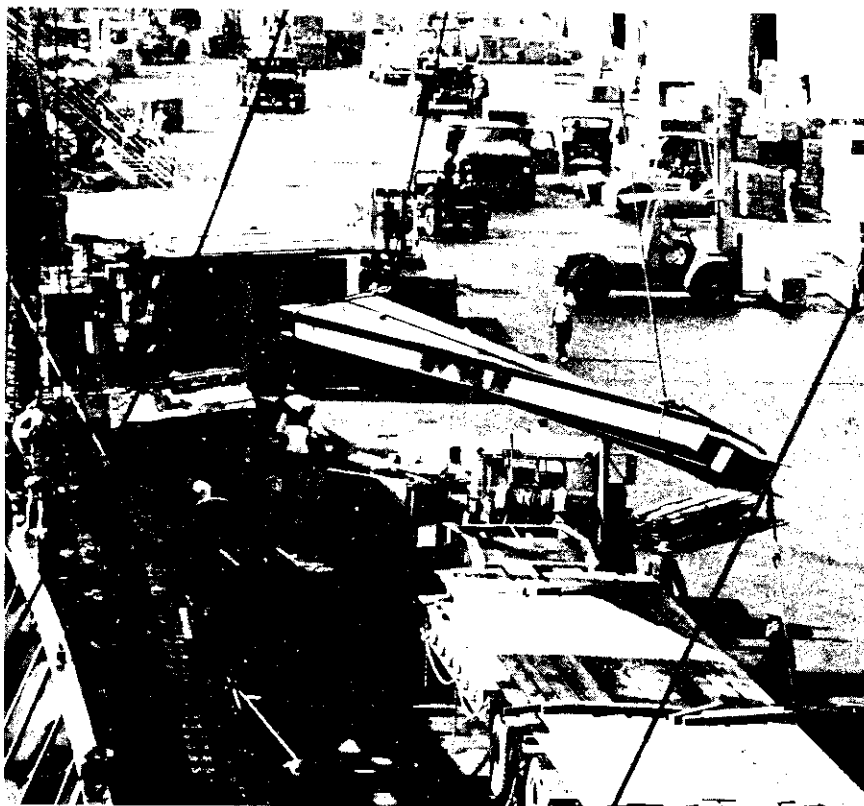
oping economic policies to moderate wartime inflation. Increased taxes, currency devaluation, and appropriate interest rates and restraints on Vietnamese and U.S. spending were among the stabilization measures put into effect.

However, the primary weapon in combating inflation and maintaining price stability is AID's Commercial Import Program (CIP) which, combined with imports financed by the Vietnamese, provides needed external resources to supplement domestic production.

The CIP helps prevent consumer shortages, commodity speculation, and price spiraling by insuring that adequate supplies of consumer goods and basic commodities are available in the market and by providing raw materials and machinery for domestic industry.

Only essential commodities are imported under the CIP. Luxury goods are excluded. Military commodities are financed elsewhere. To minimize the effect on our balance of payments, most of the commodities are purchased in the United States. The importer pays for them with Vietnamese piasters which are deposited in a "counterpart account" in the National Bank of Viet-Nam. These piasters are used to support the Government of Viet-Nam's budget in projects and programs approved by the United States and to cover certain AID program costs in Viet-Nam.

The Food for Peace program established under Public Law 480 plays a similar role to that of the CIP in the economic stabilization effort. Commodities imported under the Food for Peace program—rice, wheat, wheat flour, corn, cotton, tobacco, dried milk, and other dairy products—are paid for in local currency, which generates funds for U.S. needs and helps support Viet-Nam's budget.



Port activity at Saigon's bustling Newport facility, which can quickly berth and empty four deep-draft ocean freighters simultaneously. Here lumber and steel cargoes are being discharged.

In 1971, commercial imports to Viet-Nam totaled \$683 million. Of this amount, \$407 million (60 percent) was U.S.-financed: \$313 million under CIP and \$94 million under PL 480.

## HEALTH

The Ministry of Health (MOH) in 1971 focused on increasing Viet-Nam's capability of providing health services in the future with a minimum of U.S. assistance.

Total hospital admissions to MOH hospitals in 1971 exceeded 600,000, an increase of over 30,000 compared to 1970. The rise reflects increased security, which has enabled more patients to reach medical care as well as greater confidence in the quality of care being provided.

Civilian war-related casualty admissions at these facilities

totalled 3,400 in 1971, a decrease of 18 percent from the previous year. However, a sharp increase in civilian war casualties is inevitable in 1972 as a consequence of the massive North Vietnamese invasion of the South. President Nixon in his May 8, 1972, statement cited the figure of 20,000, including women and children, in the cities shelled by the North Vietnamese. Viet-Nam's capacity to provide adequate care to these patients continues to improve through the effective operation of the Ministry of Health-Ministry of Defense Joint Utilization Program inaugurated in 1969. Under this program, hospitals in 26 provinces treat both Vietnamese civilians and soldiers. The program is also being implemented in 192 of the 246 districts in Viet-Nam, adding more than 2,000 military medical personnel

to MOH hospitals and health facilities. As a result, public health as well as curative medical services in rural areas has assumed greater importance.

AID's contribution to an accelerated construction program is mainly responsible for the addition of 29 modern surgical suites, eight new province hospitals, and some 500 district and village dispensaries to the Ministry of Health's treatment system. In addition, AID contributes annually more than \$12 million in medical supplies and equipment to support the Vietnamese civilian health program.

Since June 1966, more than 700 American physicians have served without pay in Viet-Nam for 60 days or more to treat Vietnamese civilians. Under the "Voluntary Physicians for Viet-Nam" program, administered by the American Medical Association and funded by AID, American doctors help ease the critical shortage of physicians available to treat Viet-Nam's civilian population.

With U.S. assistance, 194 physicians were graduated from Vietnamese medical schools in 1971, compared to 85 in 1965. During that 6-year period, the Vietnamese established seven new nursing schools and increased the number of graduates from 275 to 717.

Key to the assumption by the Government of Viet-Nam of health care responsibility is the effective development and application of manpower resources. An extensive analysis of the needs and training capabilities of MOH institutions by category of personnel has been completed. This study indicates that, with certain exceptions, notably anesthesiology and radiology, adequate numbers of personnel can be trained in the next 5 to 10 years to meet basic Vietnamese health needs.

AID has contributed the princi-

pal financial support for Viet-Nam's National Institute of Public Health—a research, training, and technical service base from which the Ministry of Health, assisted by the World Health Organization, hopes to mount effective campaigns to eliminate Viet-Nam's formidable disease hazards.

Other institutions to improve the medical care and treatment of Vietnamese civilians include:

—The National Center for Plastic and Reconstructive Surgery (constructed under an AID contract), which provides modern medical treatment to more than 100 severely deformed patients each month.

—The National Rehabilitation Institute, consisting of four modern centers, which teaches patients how to use the approximately 850 artificial limbs and braces it manufactures each month.

## REFUGEE PROGRAM

Between 1965 and 1971, approximately 4 million Vietnamese were displaced from their homes

by the war and formally recognized by the Government of Viet-Nam as refugees.

Another million were temporarily displaced by the 1968 Tet and May offensives, and about 500,000 have suffered damages to their homes or personal injuries without being displaced more than temporarily. In addition, 200,000 ethnic Vietnamese were repatriated from Cambodia to South Viet-Nam, and an estimated 1 million migrated from the rural areas to Saigon, Danang, and other urban centers without being registered as refugees.

This cumulative total of approximately 6.5 million represents over one-third of the population of Viet-Nam.

Prior to the March 30, 1972, invasion by North Vietnamese forces, the active refugee case-load amounted to approximately 450,000 persons. As of May 5, 1972, however, almost 700,000 additional civilians swelled the refugee rolls as a direct consequence of the North Vietnamese offensive.

Of the nearly 4 million registered refugees, almost 2 million



Laborers go to work on a foundation for a prefabricated hospital, one of many such facilities included in the Viet-Nam Ministry of Health's accelerated construction program. AID contributes annually more than \$12 million in medical supplies and equipment to support the Vietnamese health program.



This youngster, one of South Viet-Nam's 2.7 million children attending elementary school today, is engrossed in a science textbook. During the period 1963-1969 AID helped write, print, and distribute some 20 million elementary textbooks in Viet-Nam.

had returned to their original villages; 1.8 million had received resettlement benefits; and less than 100,000 were in temporary camps prior to March 1972.

In 1969, 1970, and 1971, approximately 130,000 new refugees were generated each year as compared to an annual 400,000 to 500,000 in previous years.

The refugee program is administered by the Ministry of Social Welfare (MSW) of the Government of Viet-Nam, with technical and financial assistance from the United States. The Ministry, which started out in 1966 with only 125 employees based in Saigon, now has a staff of 1,900, two-thirds of them assigned to the provinces. The MSW has assumed virtually complete responsibility for the administration of the refugee program and is providing emergency relief for the new displaced persons as promptly and adequately as can be expected.

The number of U.S. refugee advisors, which reached a peak of nearly 100 in 1968, is down to

43 and will be reduced to less than half that number by the end of fiscal year 1973.

The principal benefits paid or distributed to the refugees by the Government of Viet-Nam consist of shelter and temporary assistance for new refugees of 20 piasters or 1 pound of rice per person per day for the first 60 days, and resettlement or return-to-village allowances of 7,500 piasters and 10 sheets of metal roofing per family and 1 pound of rice per person per day for 6 months or the equivalent in piasters in place of roofing and rice.

In addition, permanent campsites and hamlets to which refugees have returned receive from the MSW continuing development assistance for wells, schools, health stations, markets, health services, vocational training, and seeds.

Social welfare institutions, hospitals, school lunch programs, and Montagnards (tribal people) receive periodic distributions of Food for Peace surplus food com-

modities from the United States.

The Government of Viet-Nam continued to receive large-scale financial support for its war victims programs from counterpart funds generated by the Commercial Import Program (VN\$3.5 billion in 1971; VN\$5 billion programmed for 1972) and from the Food for Peace Program (\$25.6 million programmed for fiscal year 1971; \$5.3 million programmed for fiscal year 1972).

In January 1972, 1,400 refugees were voluntarily relocated from a nonviable refugee site just below the Demilitarized Zone to a 6,000-acre site of fertile land north of Saigon. Plans are now under way for the voluntary resettlement of additional numbers of refugees from the northern provinces to areas further south.

## EDUCATION

In 1954, fewer than half a million (20 percent) of Viet-Nam's children attended elementary schools. At that time, education was limited to children of wealthy parents, while most hamlet children, sons and daughters of poor farmers, followed tradition and worked in the ricefields. Today, however, more than 2.7 million (over 94 percent) elementary school-age children go to school. Indeed, the rate at which elementary education is progressing will see virtually all elementary school-age children in school by 1975.

The Government of Viet-Nam, with AID assistance, has trained more than 18,000 hamlet elementary teachers and constructed more than 14,000 classrooms during the period 1963-1969. In addition, AID helped write, print, and distribute 20 million elementary textbooks.

Secondary school enrollment climbed from 54,000 students in 1955 to 710,000 in 1971. During recent years, three secondary demonstration schools and 12

pilot comprehensive high schools have been established. Higher education has seen similar growth. In 1955, for example, only 2,900 students were enrolled in Viet-Nam's only university, the University of Saigon. Today more than 56,000 students are enrolled in seven universities, with over 41,000 enrolled in the University of Saigon. The remainder attend the Universities of Hue, Dalat, Van Hanh, Can Tho, Minh Duc, and Hoa Hao.

Since Viet-Nam is basically an agricultural country, the Government of Viet-Nam, with AID assistance, is emphasizing agrobusiness and agricultural education to provide skilled farmers and trained agricultural leaders. In addition, the United States has helped develop 10 vocational agricultural high schools with an enrollment of more than 6,000. Fifty-eight elementary schools have introduced prevocational agriculture and rural homemaking courses, with current enrollment at 5,800.

AID has also helped to establish five polytechnic schools, five trade schools, and 12 junior technical schools to produce skilled workers. Over 12,000 students are receiving vocational training.

Fifteen AID education advisors and three teams of educational specialists from several American universities are currently helping Viet-Nam improve its educational product.

To support Viet-Nam's economic growth, AID is sponsoring two university teams of advisors in Saigon for the purpose of strengthening and expanding the facilities of two 4-year colleges of agriculture and engineering, respectively.

In the agricultural college, the advisory team is helping to develop curricula in forestry, animal science, soils and crops, and vegetable production, while the other

team assists the Vietnamese in developing chemical, electrical, civil and mechanical engineering curricula.

## AGRICULTURE

Agriculture is the backbone of Viet-Nam's economy. After declines in production from 1963 to 1968, programs were initiated by the Government of Viet-Nam with AID assistance that raised rice, hog, poultry, and vegetable production to new record highs.

Thanks to fast-growing, high-yield rice seed introduced in Viet-Nam by AID in 1967, rice production has increased rapidly from 4.8 million tons in 1968 to 6.2 million tons in 1971. Farmers using the new high-yield seeds have doubled and tripled their crop output. Since the new rice matures in about 120 days, compared to 180 days for the old varieties, many farmers are now getting two, and sometimes three, crops a year.

As recently as 1964 Viet-Nam was exporting rice, but as the war intensified thousands of peasants fled the paddies for safety in the towns and cities. Rice production dropped while the market demand climbed. As a result, Viet-Nam was forced to import 750,000 tons of rice in 1967. Imports for this past year were 138,000 tons. AID agricultural advisors are continuing to help further develop rice technology, with rice self-sufficiency the goal.

Next to rice production, a second priority of the agricultural program is to increase the nation's animal protein supply. Since 1968, annual poultry production climbed 15 percent and swine production increased 10 percent, thereby creating an accelerating demand for livestock feed. To meet this demand, AID provided Viet-Nam with 200,000 tons of feed grain in 1970 and 1971 and

helped establish 64 feed mills to process the livestock feed. In 1970, AID assisted with a new feed grains program that promoted sorghum and corn production. Adaptive research trials have led to a 35,000-hectare program expected to yield 100,000 tons of livestock feed during 1972.

The AID-assisted National Bacteriology Laboratory is now producing over 24 million doses of vaccines to give health support to livestock production.

Viet-Nam's annual fish catch has enjoyed a steady growth, from 415,000 tons in 1968 to 464,000 in 1969; 577,000 in 1970; and over 600,000 in 1971. During this period, motorized fishing boats increased from 30,000 to 47,000, and fishing boats of all kinds increased from 78,000 to 92,000.

Improved production and marketing techniques have stimulated vegetable and fruit production, now a significant part of the rural economic scene. An excess of 1 million tons of vegetables and fruits produced yearly has enabled agriculture to feed the Vietnamese people more adequately.

To assist farmers in the purchase of modern farm equipment, seed, fertilizer, and insecticides, the Government of Viet-Nam, with AID support, established the Agricultural Development Bank (ADB) system in 1967. The banks arrange credit for farmers and fishermen. ADB and its supported private banks made 180,000 loans in 1971, valued at over \$38 million.

To further help the small farmer, the ADB in 1969 launched a private rural bank system offering reasonable credit to farmers who own or operate less than 25 acres of farmland. The banks are 50 percent financed by local capital. Twenty-three private rural banks are now established and 109 will open for business within the next 3 years.

## LAND REFORM

During the past 2 years, AID has helped the Government of Viet-Nam implement its new and revolutionary land reform program which seeks to eliminate tenant farming of riceland. Under the "Land-to-the-Tiller" Law, enacted March 26, 1970, the government is broadening the base of land ownership by enabling all small farmers to own the land they till. Under the law, the government has expropriated nearly all tenanted ricelands and, to date, has transferred to more than 400,000 tenant farmers, free of any charge, two-thirds of these lands (1,556,000 acres).

Tenant farmers under this law are acquiring up to 2.5 acres in the central lowlands and as much as 7.5 acres of the ricelands in the Mekong Delta. Tenanted lands in excess of these limitations will be redistributed to other tenants, war widows, veterans, retired civil servants, or farm laborers, in that order of priority.

A farmer who owns his land has a great incentive to improve and protect his property. Just owning land, however, will not solve all of his problems unless he gets a fair price for his produce, can easily market his produce, obtain reasonable credit, and apply modern water control methods and other scientific farming techniques. The Government of Viet-Nam, with AID assistance, is successfully attacking all of these problem areas.

To obtain his land, a tenant farmer simply files an application with the village government. Once approved by the Village Land Distribution Committee, the central government issues title to the farmer, who becomes the owner of the land he tills. President Nguyen Van Thieu presented the first 600 land titles to tenant farmers in August 1970. The former owners of the land will re-

ceive prompt and fair compensation from the Government of Viet-Nam amounting to 20 percent in cash and the remainder in bonds bearing 10 percent interest and paid in eight equal annual installments.

An estimated 700,000 tenant farmers could acquire land under the new program, which will transfer ownership of more than 2.25 million acres—nearly half of Viet-Nam's riceland.

In addition, the government is distributing title to public domain lands traditionally farmed by the Montagnards, tribal people who inhabit the highland areas of central Viet-Nam.

Because the program is creating hundreds of thousands of new landowners, it significantly strengthens social stability in the countryside, and the government's base of political support is expected to be greatly increased. The program also provides a strong foundation for rural economic development and graphically demonstrates the government's interest in improving the lives of the rural population.

To help implement the Land-to-the-Tiller program, AID is providing the Government of Viet-Nam with technical assistance.



By 1976 rural banks will be supplying credit to 60,000 farmers annually. Above, a Vietnamese farmer borrows money at a rural bank to buy high-yield rice seed.

The United States also plans to provide at least \$40 million in financial assistance to help overcome the inflationary impact of the large cash downpayments to be made to the former landowners.

## PUBLIC ADMINISTRATION

The focus of AID public administration assistance to Viet-Nam in recent years has been on increasing collections of tax and customs revenues. As a result, annual revenues have tripled to VN\$119 billion from 1966 through 1971. Most recently efforts have broadened to include the strengthening of revenue collections in local jurisdictions in support of local area development projects and local government administration.

Continuing assistance has been given to the National Institute of Statistics to obtain economic, demographic, and health data necessary for planning and administration.

Following the local elections held since 1967 under the new Constitution, AID helped establish provincial training centers and launched training programs for newly elected and appointed

officials of villages and hamlets. An average of 50,000 persons a year are undergoing training in technical and administrative skills in the provincial training centers and at the National Training Center at Vung Tau.

Renewed assistance is being provided to update and expand programs of the National Institute of Administration, the agency responsible for preservice administrative education and training and executive development throughout the Government of Viet-Nam's civil service.

The effort to meet the widespread need for managerial skills at all levels of government is considered basic to the ultimate success of all the projects which depend on government capabilities. For this reason, assistance in modern management practices and controls is being provided to the Prime Minister's office, the Office of Land Reform, the Ministry of Agriculture, Fishery and Animal Husbandry Development, and the Ministry of Education.

## INDUSTRY

AID provides continuing assistance to the Government of Viet-Nam and the private sector in identifying, developing, and publicizing industrial opportunities in Viet-Nam. The economy has been bolstered by the completion of new plants specializing in marine shipbuilding, plastic products, detergents, dry cell batteries, electric wire and cable, cement blocks, steel rolling, and other enterprises. Several existing plants were expanded, and 10 new plants are under construction.

Viet-Nam's largest industries—textiles, pharmaceuticals, plastics, chemicals, and cement—are growing steadily. Feasibility studies on cement, paper and pulp, and basic chemicals production



Viet-Nam's five year agricultural development plan enables peasants to group themselves into informal co-ops for the purchase of versatile rice harvester machines such as the one above.

have been completed and hopefully will attract new investors.

In addition to technical assistance, AID's Commercial Import Program enables Viet-Nam's industry to buy foreign industrial equipment and raw materials. As a result, new manufacturing facilities have been established, most of them located about 15 miles from Saigon at the Bien Hoa industrial park. Another industrial park is under construction in Can Tho, in the Mekong Delta.

Meanwhile, the Government of Viet-Nam has taken steps to improve the investment climate by means of legislation and through economic reforms that provide incentives for foreign investment.

In addition, the Saigon Government is assisting the Industrial Development Bank to become an effective finance institution; helping the Vietnamese Management Association to organize and train businessmen for better management; and supporting the Central Management Authority in development of a program to divest itself of government-owned industries.

## ENGINEERING

Embracing a wide range of public services, AID's engineering program in Viet-Nam includes improvement of waterways, ports, railroads, civil aviation, telecommunications, water resources, and electric power. The program also includes construction of health, education, police, and other public facilities. These activities help stabilize the government and the economy and improve living conditions for the Vietnamese people.

For example, there are more than 36,000 telephone subscribers today in Viet-Nam compared to about 9,000 in 1967. By the end of 1973, an estimated 51,500 telephones are expected to be in operation.

The Saigon Metropolitan Water Office increased its service by 12 percent in 1969 and continued its 24-hour service to all areas. In the rural areas of Viet-Nam last year, about 482,000 more people were serviced with potable water.

Although Viet-Nam's electric power supply has more than

doubled since 1968, it has barely been able to meet the rapidly increasing demand. One of the principal problems is the transmission and distribution system. Improvements and expansion are needed to deliver the expanding generator supply. AID is assisting the Government of Viet-Nam to improve the transmission and distribution system within the next 3 years. Recently, a National Power Survey established guidelines for sound electric power development throughout Viet-Nam.

### AID ORGANIZATION

The American Ambassador is in overall charge of the U.S. effort in South Viet-Nam. Directly responsible to him is the director of the AID Mission who is in charge of the U.S. economic assistance program and all AID expenditures in Viet-Nam.

The AID Mission in Saigon is responsible for national assistance programs which require

close working relationships with various Viet-Nam Government ministries in Saigon such as education, health, and agriculture.

To improve the effort in the field, U.S. military and civilian operations supporting rural development were integrated in May 1967 under the U.S. Military Assistance Command/Vietnam (MAC/V). The military commander's chief deputy of rural development is responsible for operations of the organization called Civil Operations and Rural Development Support (CORDS).

CORDS supports certain Vietnamese projects which receive AID funding—refugee relief, public safety or police work, and material support of the work of the rural development teams.

### WASHINGTON ORGANIZATION

To insure that the costly and complex AID program for Viet-Nam receives the best possible management, the Administrator of the Agency for International Development has assigned highly trained and experienced technicians to work specifically on operating the AID program in Viet-Nam. Teams of economists, program managers, and support personnel provide continuing guidance to the AID Mission in Saigon and coordinate with the Department of State, Department of Defense, and other agencies of the U.S. Government.

### FUTURE PLANNING

During 1971 the Government of Viet-Nam had considerable success with its stabilization program. It is now giving a high priority to economic growth and development. The rate of price inflation was reduced to 14 percent in 1971, compared with an annual average of over 30 percent in the previous 4 years. The

improvement reflects a series of exchange rate, interest rate, tariff, and other reforms which were implemented over the last 18 months. These measures were further strengthened in November 1971, when the Government of Viet-Nam again devalued the piaster, reduced and simplified the tariff structure, and initiated a number of other measures aimed at increasing domestic investment, production, and exports to reduce and eventually eliminate the need for foreign concessionary assistance.

In mid-1971, President Thieu created a Ministry of Planning with the responsibility of preparing by August 1972 a 5-year development plan. The responsibility for preparing and coordinating a capital budget for the public sector was recently transferred to this Ministry. In addition to providing technical assistance to the group, AID recently completed a series of studies on the future needs of Viet-Nam for telecommunications, electric power, and transportation. These studies will provide a basis for future planning.

President Thieu has also created a new Economic Development Fund designed to assist private investors. Ten billion piasters have already been pledged as an initial contribution by the Government. Other nations, as well as AID, are considering support for this fund.



A Vietnamese family watches the installation of electric lines in their home. Membership in one of three pilot rural electrification projects initiated in 1970 costs only 100 piasters (about 25 cents) per family.

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