

REPORT ON THE ORGANIZATION OF THE DEPARTMENT OF NATIONAL ECONOMY

**MICHIGAN STATE UNIVERSITY
Vietnam Advisory Group**

31 January 1957

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I. Introduction

At the invitation of the President of the Republic and the Secretary of State for National Economy, the Michigan State University Group (or MSUG) gladly agreed to study the functions of the Department of National Economy and to submit proposals concerning its organization. This special assignment was interpolated in the work plan of the Field Administration Project. Our primary purpose in writing this report has been to develop and justify a coherent plan for organizing the Department so that it can discharge its responsibilities most effectively.

At an early stage in this examination we discovered that the mission of this Department has not been clearly defined in relation to the work of other governmental agencies. As we had adopted a functional approach, this study led us at times across agency lines. We found, to some extent, an overlapping of functions and division of authority, as well as a mixture of line and staff activities. The organization plan recommended in this report seeks to correct those features of the present situation by firmly establishing the status of this Department as an operating agency and by creating a separate advisory body for national economic development.

In gathering the information which underlies these proposals, we have read and analyzed various laws, regulations, and reports dealing with the structure and functions of those governmental

organisms in Vietnam which have been responsible for economic planning and for regulating commerce and industry. To a lesser extent and for purposes of comparison, we have examined written materials concerning similar agencies in the Philippine Republic and in Thailand. In the main, however, we have continued to rely upon the interview technique in this study. We interviewed officials of the Vietnamese government in Saigon, Dalat, Hue, Tourane, and Nha-Trang. A special report (MSUG, Study Mission to Thailand, November 30, 1956) contains the record of a joint Vietnamese and American study-trip to Bangkok. Throughout the research phase we have received the fullest cooperation from Vietnamese officials and from the interested divisions at USOM.

We conducted interviews at every supervisory echelon of the Department from the Secretary of State down to the bureau chief. However, we did not include the Directorate of Cabinet in our examination as its work is essentially political. This top-echelon, staff unit acts as the liaison arm of the Department in its relations with other agencies of government.

Our inquiry has been directed primarily toward questions of structure and assignment of functions. Due to considerations of time and available personnel, we did not attempt any systematic analysis of the techniques or procedures which determine output and flow of work. Our procedural suggestions are a secondary result of an inquiry into organization. It should be noted, however, that we have proposed creation of a staff unit for organi-

zation and methods, which would undertake a thorough study of work techniques.

These proposals reflect our best judgment in choosing the way to associate a given function with the appropriate organizational unit: by confirming the status quo; by transfer, consolidation, or absorption; by creating new entities and abolishing superseded entities. It has not been our purpose to propose organic change simply for the sake of doing things differently, and at the same time we have tried to avoid the superficial appearance of change which results from a re-shuffle of existing units.

Our analysis revealed that certain ~~roles~~^{units}, particularly at the echelon of bureau, are staffed by only one or two persons, and that in some instances their current duties are only nominal. In such cases we have recommended abolition of the entity and absorption of its functions by the parent organism. This situation will be further examined in the supporting statement for the organization and methods unit.

In September 1956 we submitted an interim report, which contained most of these proposals in outline form. We are happy to note that the recommended physical consolidation of the Department has already been accomplished. In the event that separation of the organizational units should again become necessary, it is hoped that the physical relocation would take functional lines. Since September we have decided to qualify one recommendation by suggesting additional study. That proposal concerns

delegation of a critical function, issuance of export and import licenses, to the field offices.

The study-trip to Thailand in October has resulted in our adding a recommendation concerning commercial registration and licensing as well as revising the recommendation for commercial information.

The interim report also expressed our readiness to make supplementary studies concerning extension of the Department's responsibilities into the area of public transportation and electric power. We are prepared to do this now if the Department wishes. Our examination would take into account the experience of Thailand and the Philippines, which indicates a different course.

Acceptance and execution of the proposals in this final report will provide management with an opportunity to regroup personnel and facilities at the same time that it tightens the organizational structure and re-allocates functions. The paperwork involved in this administrative reorganization is only a token of the cost in personal inconvenience to those government employees who must then adjust to a changed situation. We hope that they will consider their personal readjustment as a patriotic contribution. A transfer could then be viewed in perspective as the means of reapplying their skills and effort to increased advantage for the general good. MSUG urges the Department to work closely with the Directorate-General of Civil Service to reassign

in other governmental agencies those qualified staff-members who may not be needed in the new organization.

It should be emphasized that acceptance of this plan in principle is not enough. Only a vigorous and fair execution of the proposed reorganization can overcome the inertia of an established body and the psychological tendency of each employee to view his particular job in that particular place as a vested personal right.

MSUG recognizes that it may not be possible or desirable to execute all parts of the plan simultaneously. At the approval stage, it is quite probable that the internal aspects of the reorganization would be accepted before the proposals that directly involve other agencies. At that point certain suggestions should be acted upon without delay, notably the consolidation of administrative support services.

The Michigan State University Group presents this report to the Department of National Economy in the belief that each recommendation is justifiable and that, in the aggregate, they form a consistent and constructive plan for organizing the activities of the Department. MSUG will be happy to advise the Department, upon request, concerning execution of those proposals which are accepted. After six months we would like to make a supplementary study to determine the actual impact of this report. Preparing a review report at the close of the implementation phase has become a standard practice in an MSUG study.

II. Historical Sketch

The Department of National Economy has experienced many changes in function, status, and title since its lineal ancestor, the Ministry of National Economy and Planning, was created by decree on September 19, 1949 shortly after the establishment of the State of Vietnam. On that same day the Chief of State signed two other decrees creating the Ministry of Finance and a Department of Commerce and Industry. The governmental functions implicit in these organization titles have been arranged and re-arranged in various combinations as new agencies appeared and old agencies vanished, only to reappear with perhaps a change in name.

Reorganization of these entities was frequently the direct result of a re-shuffle of portfolios within the Cabinet. As the motive for these Cabinet changes was usually personal and political rather than administrative, it is not necessary for us to consider the effect of each reorganization in this paper. In any event we have calculated that since 1949 no fewer than thirteen ministers or secretaries of state have headed the agencies which were successively responsible for national economy or economic affairs.

For our purposes it is important to note that the Ministry of National Economy was associated with economic planning at the outset. This connection was dissolved and then resumed temporarily when the Ministry of Planning and Reconstruction and

this agency were both integrated into the Ministry of Finance. Responsibility for regulating commerce and industry passed to the Ministry of National Economy when it was restored as a separate entity by a decree of January 9, 1953. Later a separate Ministry of Planning and Reconstruction was also reconstituted.

An attempt was made to define the role of the two reestablished ministries in two decrees which were issued on January 19, 1955. With his other duties the Minister of National Economy was made responsible for formulating an economic policy for the country, which included industrialization as well as all phases of production and exchange of goods and services. The policy statement would then be submitted to the Chief of State for approval. The Minister was also charged with drafting and submitting the necessary measures, including administrative regulations, for executing the approved policy.

In the companion text the Minister of Planning and Reconstruction became responsible for drafting plans for all projects concerning infrastructure and equipping the economy. In the planning phase this Minister was supposed to work in close liaison with the interested agency. Upon approval, he was to be responsible for coordinating the various programs and for assigning priorities in execution, subject to a possible reversal in the Council of Ministers. Within this framework the Minister was empowered to draft the necessary legislation and regulations for executing the approved programs.

It is clear that these decrees of January 19, 1955 established the official concern of both ministers with national economic direction and development. What was not made clear was the delimitation of their respective functions. How could the Minister of National Economy effectively prepare and plan the execution of an overall economic policy while the Minister of Planning and Reconstruction discharged a separate responsibility for planning and coordinating the execution of all projects for rebuilding the economy? In brief, how to avoid a collision?

The course of political and military events intervened to block the emergence of that administrative problem. In the Spring of 1955 the dissident sects engaged in armed rebellion against the authority of the government headed by President Ngo dinh Diem. Among the political consequences of this unsuccessful revolt was the reconstitution of the Cabinet on May 10, 1955. At that time the Ministry of National Economy was reincorporated into the Ministry of Finance as the Department of Economic Affairs, and the Ministry of Planning and Reconstruction disappeared. The re-designated Ministry of Finance and Economic Affairs then administered those planning elements.

By a Letter of Service dated August 16, 1955 President Diem attached these planning organisms to the Presidency of the Government and also transferred the National Imports Committee to the Department of Economic Affairs. Transfer of the planning units was confirmed and regularized by a Presidential decree of November

14, 1955. This decree created a Directorate-General of Planning within the Presidency to be responsible for studying, drafting, and coordinating the projects and programs designed to promote the financial, economic, and social recovery of the country as well as the reequipment of the economy. The decree also creates the duty of observing the execution of approved projects and programs.

Two weeks earlier the President had signed another decree which reconstituted a separate Department of National Economy. Responsibility for directing this agency was assigned, as an additional duty, to a Secretary of State who already headed another department. The Department of National Economy did not acquire its own full-time chief until May 16, 1956.

At present the internal organization of this Department and the allocation of its functions are based upon a ministerial arrete, which was issued on June 7, 1955. This official text provides that the agency shall discharge the functions which were assigned to the Ministry of National Economy by the decree of January 19, 1955. The arrete further provides that the Department shall be comprised of three principal entities: a central administration consisting of the Directorate of Cabinet and the Office of the Secretary-General; two Directorates-General, one for Commerce and the other for Mines, Industry, and Handicrafts; and thirdly, the Institute for Statistics and Economic Studies.

This arrete of June 7, 1955 provided in detail for the structure and assignment of responsibilities within the three major units, down to and including the bureau level. The provisions dealing with the Institute for Statistics and Economic Study were revoked and replaced by a Presidential decree of August 7, 1956, which narrowed the mission of this entity and changed its title to the National Institute of Statistics.

The internal organization of the Directorate-General of Mines, Industry, and Handicrafts has been changed informally and de facto to reflect the influence of a proposed ministerial arrete, which was drafted as long ago as December 1955. However, it remains unsigned at the date of writing. The principal effect of this intramural adjustment is that the Directorate of Mines, Industry, and Handicrafts has been replaced by a Directorate of Mines and a Directorate of Industry and Handicrafts. To gain clarity and precision this report accepts that change as if it had been regularized by publication in the Official Journal.

The structure of the Directorate-General of Commerce has been broadened by addition of a Directorate of Commercialized Aid, formerly the National Imports Committee. Also in August of 1955, the Regional Directorate of Economy for South Vietnam was incorporated into the Directorate of Domestic Commerce, an element within that Directorate-General.

Starting from January 1, 1956 the Regional Directorates of Economy for the PMS and for Central Vietnam have been assigned to

the Department for administration as well as technical guidance.

Since 1949 the Department of National Economy has survived so many amputations and so much transfusion and transplanting that MSUG considers it a sturdy and resilient organism. This report proposes one more reorganization, a pruning operation. Granted a subsequent period of organizational stability, an energetic leadership in the Department should be able to develop the esprit de corps and continuity of operations which were lacking during the long period of flux.

III. Schedule of Recommendations

Part I.- Recommendations on Organization.

A) Regroup and consolidate functions among governmental agencies for clarification of their mission -- so that closely related functions will be assigned to the same agency, responsibility for any given function will not be divided between agencies, and line and staff responsibilities will be distinguished.

As specific measures, it is recommended:

- 1) That the Department of National Economy be relieved of responsibility for national economic development, and that a specialized agency (to be called the Office of the Coordinator for Economic Affairs) be created to advise the President of the Republic in this area.
 - a) That the functions of the Directorate-General of Planning be transferred to the Office of the Coordinator for Economic Affairs; and that this Directorate-General be then abolished.
 - b) That the National Institute of Statistics be transferred from the jurisdiction of the Department of National Economy to the Office of the Coordinator for Economic Affairs.
- 2) That the Department of National Economy be charged with responsibility for promoting and regulating

commerce and industry in the public interest; and that its title be changed to Department of Commerce and Industry.

- a) That the Office of Tourism be transferred from the jurisdiction of the Department of Reconstruction and City Planning to the Department of Commerce and Industry.
- b) That this Department relinquish sponsorship of the Chamber of Commerce, which would then assume the status of a private association.
- c) That authority to issue import and export licenses be vested solely in this Department to the exclusion of the National Office of Exchange.
- d) That authority to register applications for issuance of trade-marks be vested solely in this Department to the exclusion of the Courts of Justice.
- e) That authority to issue licenses to engage in business (patentes) be transferred upon satisfaction of a condition from the Department of Finance to this Department.
- f) That responsibility for industrial safety inspection be transferred from this Department to the Department of Labor.

B) Regroup, consolidate, and assign functions within this Department for increased efficiency and economy, and apply the principles cited above -- so that internal structure will be simplified and strengthened, responsibility for operations can be clearly determined, and maximum administrative support will be provided to the operating units.

As specific measures, it is recommended:

- 1) That the Secretary of State, who retains ultimate responsibility for all activities of this Department, delegate authority for administration to the Secretary-General and authority for operations to the Directorate of Foreign Commerce, the Directorate of Domestic Commerce, and a Directorate of Industrial Development.
 - a) That the intermediate echelon of Directorate-General be then abolished.
- 2) That the Service of Administration in the Office of the Secretary-General assume full responsibility for the personnel, accounting, budgeting, procurement, and mail and records activities of the Department; and that the superseded entities be abolished.
 - a) That a Bureau of Organization and Methods be established within this Service.

3) That a Service of Program and Policies be created within the Office of the Secretary-General to furnish legal and other facilities to the operating units, notably in drafting regulations for executing economic controls; and that the superseded entities be abolished.

a) That a Bureau of Statistics and Economic Research, a Bureau of Commercial Information, and a Bureau of Program Review be established within this Service.

4) That a Service of Field Operations be created within the Office of the Secretary-General to maintain continuous contact between the central services of the Department and the field representatives; and that field offices be established in particular provinces as the need appears.

a) That this Service undertake a pilot study concerning delegation of authority to the field office in Tourane to issue import and export licenses, taking note of the implications for the National Office of Exchange.

5) That a Service of Export-Import Licenses be created within the Directorate of Foreign Commerce to be solely responsible for issuance of these permits,

and thereby incorporating the licensing function of the Directorate of Commercialized Aid (formerly the National Imports Committee).

- a) That the Bureau of Exports (re-designated "Export Licenses") and the Bureau of Imports (re-designated "Import Licenses"), plus the Bureau of Control of Traders, be assigned to this Service.
- b) That the Bureau of Export Licenses absorb the duties of the Bureau of Quotation of Prices; and that the superseded entity be then abolished.
- 6) That a Service of Program Planning be created within the Directorate of Foreign Commerce to be responsible for estimating the import needs and exportable surpluses in commerce and industry.
- 7) That a Service of Export Development be created within the Directorate of Foreign Commerce to seek and expand foreign outlets for Vietnamese products in cooperation with the Department of Foreign Affairs.
 - a) That this Service absorb the duties of the Bureau of Commercial Agreements and the Bureau of International Conferences, Fairs and Expositions.
- 8) That the Directorate of Commercialized Aid and the Service of Programs and External Economic Relations

be abolished as superseded entities.

- 9) That the Office of Tourism be assigned to the Directorate of Domestic Commerce as a Service upon its transfer from the Department of Reconstruction and City Planning to this Department.
- 10) That a Service of Commercial Development be created within the Directorate of Domestic Commerce to give technical assistance to entrepreneurs in commercial matters.
 - a) That this Service absorb the related duties of the Bureau of Handicraft Promotion and the Bureau of Commerce, Handicrafts, and Industry; and that the superseded entities be then abolished.
- 11) That a Service of Allocation and Controls be created within the Directorate of Domestic Commerce to administer the Department's programs of economic regulation and also to issue patentes, if the function of business registration is transferred from the Department of Finance to this Department.
 - a) That this Service absorb the duties of the Bureau of Supply and the Bureau of Taxation; and that the superseded entities be then abolished.
 - b) That this Service assume the duties of the Service of Price Control and the Service of Fraud Prevention; and that these superseded entities

be converted into bureaus subordinate to this Service or else abolished.

- 12) That a Directorate of Industrial Development be established to foster advances in industry and mining; and that the Directorate of Mines and the Directorate of Industry and Handicrafts be then abolished as superseded entities.
- 13) That a Service of Industrial Mobilization be created within the Directorate of Industrial Development to maintain an inventory of the factors of production and to promote increased productivity as well as expansion of the industrial base.
 - a) That this Service absorb the duties of the Service of Industrial Control and the Service of Handicrafts; and that the superseded entities be then abolished.
- 14) That a Service of Technical Standards and Research be created within the Directorate of Industrial Development to formulate standards of quality, convenience, and utility for manufactured goods, and to conduct physical and chemical research.
 - a) That this Service absorb the duties of the Bureau of Technical Studies and the Bureau of Experimentation; and that the superseded entities be then abolished.

15) That a Service of Fuels and Minerals be created within the Directorate of Industrial Development to exploit nationally-owned resources in fuels and minerals, and to sponsor or otherwise assist geological exploration for new reserves.

a) That this Service absorb the duties of the Service of Mineral Research and the Service of Mining Control; and these superseded entities be then abolished.

16) That the Service of Patent and Trade-Mark Issuance in the Directorate of Industrial Development be redesignated the Service of Patents and Trade-Marks, and that this Service incorporate the activities of the Courts of Justice in registering applications.

Part II.- Some Recommendations on Procedure and Management Policy.

To assist the responsible officials of the Department in conducting operations from the base provided by the recommended plan for organization, we offer the following suggestions as procedural tools and guides to effective management.

It is recommended:

- A) That a uniform procedure be adopted for reporting presence or absence of personnel, and that the attendance report be used as the sole basis for preparing payrolls.
- B) That the system of processing incoming and outgoing mail be revised to reflect the proposed delegation of authority from the Secretary of State to the heads of subordinate units.
- C) That the system of processing applications and issuing patents and trade-marks be revised for administrative convenience and for increased protection to the registrant.
- D) That the schedule of fees be adjusted to meet certain criteria, notably that the aggregate charges cover the cost of the service rendered.
- E) That the laws which promote and regulate commerce and industry be consolidated and issued as a business code.
- F) That the Department sponsor, after study, any necessary changes in the law and regulations to clarify the rights and obligations of stockholders in a corporation in order to promote the mobilization of individual savings for investment.

G) That the Department sponsor a study of the impact upon the national economy resulting from provincial taxes which are levied upon the movement of goods between provinces.

IV. Supporting Statements

Part I, A.

- 1) IT IS RECOMMENDED THAT THE DEPARTMENT OF NATIONAL ECONOMY BE RELIEVED OF RESPONSIBILITY FOR NATIONAL ECONOMIC DEVELOPMENT, AND THAT A SPECIALIZED AGENCY (TO BE CALLED THE OFFICE OF THE COORDINATOR FOR ECONOMIC AFFAIRS) BE CREATED TO ADVISE THE PRESIDENT OF THE REPUBLIC IN THIS AREA.

We have seen that the Department of National Economy is currently responsible for drafting an overall economic policy and for proposing measures to effectuate that policy after it has been approved by the President. We believe that this advisory role in economic development should be assigned to another agency. A recommendation to this effect was included in the MSUG Special Report to the President, October 13, 1956, in the following form. The proposals concerning the Directorate-General of Planning and the National Institute of Statistics will be examined more fully in the next two supporting statements.

"Organizing within the Government for Overall Economic Direction

"In order to assist the Government of Vietnam to prepare and execute its programs of economic development, we offer the following proposals for establishing the requisite organization.

"We recommend:

"1. That an organization for economic direction be established within the Presidency. For convenience this organization will hereinafter be referred to as the Office of the Coordinator for Economic Affairs.

- "2. That the National Institute of Statistics of the former Department of National Economy, the Directorate General of Planning in the Office of the Presidency, and the overall planning functions of other agencies be transferred to the Office of the Coordinator for Economic Affairs.
- "3. That the Office of the Coordinator be entrusted with responsibility and authority to advise the President in the following matters:
 - "a. Establishment of a unified policy for the development of all aspects of Vietnam's economic life.
 - "b. Establishment of economic programs that will insure optimum use of the nation's agricultural and other natural resources, industrial and commercial plant and equipment, man-power resources, financial reserves, and foreign aid.
 - "c. Definition of the spheres of operation of government agencies concerned with production, procurement, distribution (including transportation) and use of food, raw materials, supplies, man-power, equipment, and foreign aid.
 - "d. Issuance of such directives to government agencies as may be necessary in order to guide their operations within the framework of the approved plans or programs.
 - "e. Reviewing these activities of government agencies by inspections, by study of required reports, or both.
- "4. That its mode of operation be as follows:
 - "a. In close cooperation with representatives of the Departments and agencies concerned, the Office of the Coordinator for Economic Affairs will develop the policies and programs needed in a given situation, as determined by its own staff taking note of suggestions from other agencies of government or from the private sector of the economy.

"b. The Office of the Coordinator will propose to the President the final statement of policy in the form of a specific program. The National Plan will be promulgated by a Presidential decree, which will be binding upon all agencies of the government.

"c. After issuance of the decree, the Office of the Coordinator for Economic Affairs will review operations of the agencies concerned and report to the President.

"JUSTIFICATION:

"To meet the present situation of economic scarcity and dislocation, the Government of Vietnam has committed itself to a policy of intervention in the production, transportation, pricing, allocation, and sale of commodities, particularly those involved in foreign trade.

"Granted an urgent need for this intervention, it is the purpose of this report to recommend, in outline, an administrative mechanism which could effectively plan for the overall national economy, allocate responsibility to government agencies for execution of specific segments of the plan, and review the execution of these responsibilities in order to measure the success or failure of the policies, programs and operations instituted.

"At present, the establishment and execution of a unified program are hampered by the division among the interested departments of the Government of responsibility and authority for formulation of overall policies, plans and programs, and for their implementation.

"We recommend that this planning, coordination, and evaluation role should not be assigned to any of the operating agencies which maintain a program of direct service to the people. Experience in other countries has shown that the planning authority must review and adjust rival claims for scarce resources from all of them. Its effectiveness as an arbiter would be hopelessly compromised from the outset if it passed upon its own requests.

"We do not propose creation of a 'super-ministry' embracing all departments whose operations substantially affect national economic policy. Without the Department of National Defense its coverage would be incomplete, and the

inherent bulkiness of the new administrative structure would entail a needlessly heavy price for co-ordination.

"Furthermore, we see little value in creating still another interministerial council to undertake the planning function. Such a council tends to lack the necessary drive and unity of purpose. In addition, its recommendations are more likely to reflect the relative standing of the departments and the personal prestige of agency heads rather than the intrinsic merit of their claims.

"Instead we propose consolidation of the planning function in a staff agency to be assigned to the Office of the Presidency. It should assume all responsibility for governmental planning concerning the economy as a whole, recognizing intra-departmental planning of national programs in commerce and industry, education, health, agriculture, labor, public works, etc... This consolidation should embrace the Directorate-General of Planning now in the Presidency, the National Institute of Statistics of the former Department of National Economy, plus any other governmental bureaus or sections which now participate in some phase of overall economic planning. Personnel and records of the consolidated offices should be transferred to the new agency as needed.

"At an early stage in its work the planning organism must associate the interested operating agencies with itself in developing the general program. The 'thinkers' should invite the 'doers' to prepare estimates of their probable needs and expected achievements. We assume that the agency heads, wishing to state the case most persuasively for their departments, will assign competent technical personnel to the task of preparing the agency's prospectus. The budgetary process offers another incentive for drafting and submitting well-reasoned working papers. The operating agency could use the same information in justifying its requests for the new fiscal year. Furthermore, a budget which employs the same set of estimates as a national economic plan will quite likely progress from the stage of wishful thinking to substantial realization.

"We believe that adoption of these proposals would provide the Government of Vietnam with an effective

instrument for preparing and reviewing its programs of economic development. These recommendations stand on their own merits, but it is suggested that their probable impact can be measured best within the context provided by our current reports concerning the Office of the Presidency and the Department of National Economy."

For a graphic view of the position of this proposed agency within the Presidency, see Annex D. This exhibit is one of two alternative organization-charts which accompanied the Special Report. A flow-of-work chart showing the central role of this agency in economic development is attached as Annex E.

This second chart indicates that one of the principal functions of the new agency would be to present the official Vietnamese position in negotiating with foreign economic aid missions concerning the scope and structure of their import programs. The right to speak with one voice for the Government in these negotiations is a corollary of the agency's responsibility to coordinate the various departmental programs into a coherent and defensible economic plan or series of plans. We have been informed that 80% to 90% of all imports into Vietnam are currently financed by external aid. As these goods play a critical role in the Vietnamese economy, the coordinating function becomes effective only if it is based upon a control over the composition of these import programs.

Certainly the Coordinator for Economic Affairs would rely in large measure upon the estimates of import needs and the accompanying justification which would be submitted to him by the

interested governmental agencies. The Coordinator could then call upon them for additional technical guidance, but it should be made clear that he alone represents the President in these negotiations.

This report does not propose the substitution of a super-ministry for economic affairs in place of the Department of National Economy. At the same time, MSUG strongly believes that, unless the Coordinator holds a personal rank higher than Secretary of State, he will be unable to discharge the proposed functions effectively, particularly in his relations with the Secretaries of State who head permanent departments.

Even if the Coordinator for Economic Affairs does not become a permanent member of the Cabinet, we believe that he should be invited to attend and to participate in any sessions of the Cabinet Council which examine his recommendations to the President. By the same token, we believe that the Coordinator for Economic Affairs should be entitled to a consultative voice in the appropriate sessions of the proposed Economic Development Council and the National Economic Council, which is created by Chapter VII of the new Constitution.

1)(a) IT IS RECOMMENDED THAT THE FUNCTIONS OF THE DIRECTORATE-GENERAL OF PLANNING BE TRANSFERRED TO THE OFFICE OF THE COORDINATOR FOR ECONOMIC AFFAIRS; AND THAT THIS DIRECTORATE-GENERAL BE THEN ABOLISHED.

In the Historical Sketch we have seen that the mandate for the Directorate-General of Planning is substantially similar to the commission assigned to the planning authority in the former Ministry of Planning and Reconstruction. Under the authority of the President and subject to his approval, this Directorate-General is charged with studying, drafting, and coordinating all programs and projects for economic recovery.

In effect, the Department of National Economy is now authorized to propose an overall policy for advancement of the economy; and the Directorate-General of Planning is authorized to propose programs and projects for advancement of the economy. Within a scheme of national economic development, one reasons deductively from the policy to the program or inductively from the program to the policy. In either case these two elements must support each other through agreement on their respective roles. Otherwise, the Department of National Economy might propose one set of projects as measures to execute its recommended policy, while at the same time the Directorate-General of Planning might recommend a contrary policy by proposing a different set of economic programs. The advice which these two agencies would then submit to the President would be contradictory and in large measure a waste of time and effort.

We have therefore recommended a consolidation of responsibility, by which the functions of the Directorate-General of Planning would be absorbed by the Office of the Coordinator for Economic Affairs as a companion measure to the transfer of responsibility from the Department of National Economy. The Directorate-General of Planning should then be abolished as a superseded entity.

1)(b) IT IS RECOMMENDED THAT THE NATIONAL INSTITUTE OF STATISTICS BE TRANSFERRED FROM THE JURISDICTION OF THE DEPARTMENT OF NATIONAL ECONOMY TO THE OFFICE OF THE COORDINATOR FOR ECONOMIC AFFAIRS.

Intelligent planning depends upon the application of technical skills to a comprehensive body of information -- a combination of qualified personnel and the pertinent facts. In order to discharge its responsibilities for national economic development, the Office of the Coordinator for Economic Affairs will need the services of a highly competent staff, notably in the statistical area. We suggest that transfer of the National Institute of Statistics to the jurisdiction of the Office of the Coordinator is a corollary of the transfer of responsibility for formulating economic policy.

The National Institute of Statistics should furnish the Office of the Coordinator with a stream of information concerning the state of the economy and foreseeable needs and trends. The

Institute would be responsible for enlisting the active cooperation of other governmental agencies, schools, private associations and enterprises in gathering pertinent data through the use of questionnaires and any other convenient techniques. This mass of raw statistical material would be analyzed and collated by the technical staff at the Institute which would then organize the data in statistical form and submit its work to the Coordinator for Economic Affairs. Apart from questions affecting the national security, we assume that the findings of the National Institute of Statistics would be disseminated to all interested persons and organizations.

The Institute should also continue to establish norms and standards for guiding the statistical operations of other governmental agencies and private groups. It should promote the widespread use of valid techniques for gathering and measuring statistical information. In order for the Institute to perform this dual role of supplying statistical data and technical guidance, it will need to be strengthened in personnel and operating facilities.

Within budgetary limits a maximum effort should be made to recruit technicians, for example -- statistical analysts, and to offer them adequate salaries, while holding to a minimum the number of clerical employees and other non-technical staff. The cooperating agencies, both governmental and private, should be encouraged to perform as many of the routine steps as possible in

gathering and assembling statistical information prior to forwarding it for examination by the Institute. Experience will determine whether the National Bank of Vietnam can meet the needs of the Office of the Coordinator in regard to economic research, or whether the Institute should resume that activity.

This emphasis on the technical side of operations should be extended throughout the Office of the Coordinator for Economic Affairs. Here the need is for economists and other technicians -- for skills not for numbers. The interested governmental agencies should submit their estimates of needs and output in a well-documented form; and they should assemble additional information, as needed, to resolve points of difficulty.

As a background for placing these estimates in perspective, the technical staff in the Office of the Coordinator should study and hold for reference the report of the United Nations Technical Assistance Mission surveying the economy of Vietnam in the Spring of 1956. On a current basis the regular work of the National Institute of Statistics will furnish the Coordinator with another instrument for measuring and integrating the claims submitted by competing governmental agencies.

2) IT IS RECOMMENDED THAT THE DEPARTMENT OF NATIONAL ECONOMY BE CHARGED WITH RESPONSIBILITY FOR PROMOTING AND REGULATING COMMERCE AND INDUSTRY IN THE PUBLIC INTEREST; AND THAT ITS TITLE BE CHANGED TO DEPARTMENT OF COMMERCE AND INDUSTRY.

When the Department of National Economy is relieved of its advisory role in formulating an overall economic policy, it will be free to concentrate upon the promotion and regulation of commerce and industry. The Department will be divested of its identity as a staff agency, but **it** will retain and strengthen its identity as the instrument for executing governmental programs in the industrial and commercial segments of the economy. At that time its role in overall economic planning will be limited to estimating the needs and capacities of commerce and industry. In its working relationship to the Office of the Coordinator for Economic Affairs, this Department will stand upon the same footing as any other operating agency, the Department of Agriculture, for example. Recognizing the clarification in status of this line agency, we have recommended a change in title to Department of Commerce and Industry.

We believe that the re-designated Department of Commerce and Industry should be responsible for governmental action in regard to the following subjects, but without limitation to this list:

- a) Promotion of foreign and domestic commerce, including issuance of export and import licenses.
- b) Industrial mobilization including plant, equipment and man-power.

- c) Collection, analysis, and dissemination of statistical data in commerce and industry.
- d) Issuance of patents and trade-marks.
- e) Price control.
- f) Weights and measures and standards of purity for processed foods.
- g) Establishment of standards of quality for manufactured articles.
- h) Exploitation of nationally-owned mineral deposits.
- i) Research in metals and minerals and exploration to develop new reserves.
- j) Promotion and supervision of industrial and commercial cooperatives.
- k) Estimating requirements in imported equipment and materials for commerce and industry.

2)(a) IT IS RECOMMENDED THAT THE OFFICE OF TOURISM BE TRANSFERRED FROM THE JURISDICTION OF THE DEPARTMENT OF RECONSTRUCTION AND CITY PLANNING TO THE DEPARTMENT OF COMMERCE AND INDUSTRY.

The mountain and sea-shore areas of Vietnam, properly exploited for tourism purposes can be a large and steady source of foreign exchange to the nation. Exploitation of these resources to make them attractive to tourists will be largely a matter for the businessmen, particularly the hotel keepers and retailers, in those areas. The principal contacts of these citizens with the government are presently through the Department of National Economy, and this Department is also the agency of government principally responsible for developing sources of foreign exchange. We believe, therefore, that the Office of Tourism will operate more effectively within the Department of National Economy than as at present.

In general, these supporting statements do not analyze the programs of the agencies under survey. However, the failure to take action within the Office of Tourism so well illustrates the need for a planning and coordinating agency that we must comment on it.

Tourism, an invisible export, represents an especially desirable way at the moment for Vietnam to earn foreign exchange and also to encourage piaster expenditures by Vietnamese nationals, because it utilizes a much larger percentage of local labor in relation to commodities than the visible export trade requires.

The Office of Tourism, however, has felt that it cannot embark on even a modest program of attracting tourists to Hue, for example, until the Department of Education does something about restoring the Royal Tombs, until the Department of Public Works does something about building or modernizing hotels, until the Department of Information and Youth does something about preparing travel brochures, etc. Under the present chairmanship of the Secretary of State for Reconstruction and City Planning, these agencies and others are responsible for facilitating the operations of this Office. As it happens, tourism is not the principal interest of these other departments which, not unreasonably, prefer to use their funds on programs of more direct interest to themselves. As a result, the tourist program, although of the highest interest from a national standpoint, remains at a standstill.

We believe that establishment of the coordinating agency which we have already proposed would help to solve problems of this sort. Having formulated a definite plan with the assistance and cooperation of the agencies concerned, the Office of the Coordinator for Economic Affairs would direct and require the agencies involved to take the action contemplated by the approved plan, and then it would review performance so as to insure that these steps were taken at the time and in the manner specified.

2(b) IT IS RECOMMENDED THAT THIS DEPARTMENT RELINQUISH SPONSORSHIP OF THE CHAMBER OF COMMERCE, WHICH WOULD THEN ASSUME THE STATUS OF A PRIVATE ASSOCIATION.

The present Chamber of Commerce and those which will be established in the future should operate on a voluntary, cooperative, self-supporting and autonomous basis. At present they are established by governmental decree and are subsidized by the government.

The business community in Vietnam should be completely free to seek changes in governmental economic policies for the benefit of its members and to criticize governmental activities which are considered harmful to its members. We doubt whether the business community would feel free to do so through the Chamber of Commerce so long as the latter is supported financially and closely supervised by the government. In order to enjoy these privileges of independent action, businessmen must also bear the responsibility of financially supporting their own organizations. This is not an intolerable burden, as the example of the Junior Chamber of Commerce shows.

As long as the Chambers of Commerce receive a government subsidy and the members pay nothing to belong, we doubt whether we could expect any aggressive, cooperative action from the business community toward creating a tourist industry, for instance. The tendency would be to wait for the government to do something.

2)(c) IT IS RECOMMENDED THAT AUTHORITY TO ISSUE IMPORT AND EXPORT LICENSES BE VESTED SOLELY IN THIS DEPARTMENT TO THE EXCLUSION OF THE NATIONAL OFFICE OF EXCHANGE.

In the course of interviews we learned that three entities are currently authorized to issue import licenses. Two of them, the Directorate of Commercialized Aid and the Directorate of Foreign Commerce, belong to the Department of National Economy. The third member of this group is the National Office of Exchange, an autonomous department of the National Bank of Vietnam.

The National Office of Exchange is empowered to issue licenses for importing commodities from the Franc Zone, provided that payment is to be made with French francs which have been earned by exports to the Franc Zone. It should be noted that the Directorate of Commercialized Aid, not the National Office of Exchange, issue licenses for those imports from the Franc Zone which are financed by "triangular francs" through the technique of sub-credit authorizations issued by I.C.A.

In the present situation the National Office of Exchange issues only a few licenses, and they cover a tiny fraction of Vietnam's foreign trade. In the absence of a strong case for dividing this function between governmental agencies, we have proposed a consolidation of authority on grounds of principle. This adjustment would clarify the mission of both agencies. The re-designated Department of Commerce and Industry issues the license while performing its duty to regulate foreign commerce;

and the National Office of Exchange then verifies the authenticity of the license before releasing the credits, thus performing its duty to safeguard the country's reserve of foreign exchange.

2)(d) IT IS RECOMMENDED THAT AUTHORITY TO REGISTER APPLICATIONS FOR ISSUANCE OF TRADE-MARKS BE VESTED SOLELY IN THIS DEPARTMENT TO THE EXCLUSION OF THE COURTS OF JUSTICE.

The Clerks of the provincial Courts and the Saigon Court of Justice receive applications for issuance of trade-marks and forward them to the Bureau of Trade-Marks in the Saigon Court of Justice. This entity registers the applications and sends them to the Department of National Economy, where registration takes place a second time.

The reason given for retention by the Court of Justice of the trade-mark registration function is its alleged "legal and judicial" character. Actually, the registration of trade-marks is not essentially different from the registration of patents or land titles, both of which are now performed in Vietnam by executive rather than judicial agencies. Presently about 300 trade-marks per year are issued. With the expected increase in trade and commerce, this volume should rise substantially. Consolidation of this function at the present time will make it easier to simplify the procedures involved in issuance of trade-marks. (See

Recommendation C under Part II.) A greater volume of work could thus be handled expeditiously without increase in staff and without added inconvenience to the registrants. Applications from the provinces could be sent to Saigon by registered mail with payment of fees by inclosing a postal money order.

2)(e) IT IS RECOMMENDED THAT AUTHORITY TO ISSUE LICENSES TO ENGAGE IN BUSINESS (PATENTES) BE TRANSFERRED (UPON SATISFACTION OF A CONDITION) FROM THE DEPARTMENT OF FINANCE TO THIS DEPARTMENT.

During the study-mission to Bangkok which is described in the Introduction, we noted with great interest that the issuance of licenses to engage in business is one of the functions assigned to the Trade Registration Department in the Ministry of Economic Affairs for Thailand. There, the legal obligation to obtain a license extends to nearly all businessmen who operate from a fixed base. We learned that this control is essentially a statistical aid and that the fees charged for registration are nominal.

At present the Department of Finance is responsible for the issuance of this type of license or patente in Vietnam. We have been informed that the Department of Finance charges substantial fees for this service. There is an inherent difference between the use of business registration as a statistical device and its use as an alternative to taxation in raising funds for the general treasury. Transfer of this licensing function as we have pro-

posed would furnish the Department of Commerce and Industry with a useful statistical tool for promoting and regulating business activity. At the same time this recommendation would not prejudice a decision by competent authority to utilize the Department of Finance for collecting a special tax to be levied upon the privilege of doing business in an ordered society.

We suggest that a study be made to determine whether the function of business registration can be conveniently disengaged from the taxing apparatus in Vietnam. If the results of that study are affirmative, the condition attached to this recommendation has been satisfied.

2)(f) IT IS RECOMMENDED THAT RESPONSIBILITY FOR INDUSTRIAL SAFETY INSPECTION BE TRANSFERRED FROM THIS DEPARTMENT TO THE DEPARTMENT OF LABOR.

The function of inspecting and controlling mines, quarries, and factories to remove hazards is now being performed "in principle" by the Mining Control Service and another Service in the Directorate of Mines. Due to a shortage of technical personnel, the only inspections now being made concern the storage and use of high explosives in mining operations and tests of boilers used in transportation, industry, and mining.

Inspectors of the Department of Labor, although few in number, are visiting industrial establishments regularly in the Saigon area. After a short training course these inspectors

could broaden their survey of working conditions to include a control of hazards to the health and safety of employees. With the desired expansion of these surveys into the provinces, the inspectors from the Department of Labor could exercise their new mandate in mines and quarries as well as factories.

Part I, B.

1) IT IS RECOMMENDED THAT THE SECRETARY OF STATE, WHO RETAINS ULTIMATE RESPONSIBILITY FOR ALL ACTIVITIES OF THIS DEPARTMENT, DELEGATE AUTHORITY FOR ADMINISTRATION TO THE SECRETARY-GENERAL AND AUTHORITY FOR OPERATIONS TO THE DIRECTORATE OF FOREIGN COMMERCE, THE DIRECTORATE OF DOMESTIC COMMERCE, AND A DIRECTORATE OF INDUSTRIAL DEVELOPMENT.

The organization proposed for this Department emphasizes the role of operations: that is, executing governmental programs for promoting and regulating commerce and industry in Vietnam. Recognizing an existing division of economic activity among foreign commerce, domestic commerce, and manufacture, we suggest that the Department discharge its operational responsibilities through three corresponding entities to be established at the level of directorate. Two of these entities exist already, the Directorate of Foreign Commerce and the Directorate of Domestic Commerce. The third, a Directorate of Industrial Development, would replace two existing directorates concerned with mining, handicrafts, and industry.

In the proposed organization the heads of these three operating units would report directly to the Secretary of State, each of them being responsible to him for the conduct of a particular directorate. Only the Secretary-General and the Director of Cabinet would hold a similar relationship to the Secretary of State. As other supporting statements will illustrate in detail, the basic mission of the Office of the Secretary General should be to strengthen and support the operating units by furnishing

them with administrative services and by suggesting measures for coordinating their activities. The role of the Directorate of Cabinet in maintaining political liaison for the Department was noted in the Introduction. Thus, of the five senior officials who would be entitled to immediate access to the head of this Department, three would be directly concerned with operations, and a fourth would be responsible for supplying administrative support services to those programs.

We urge the Secretary of State to delegate authority liberally to his subordinates so as to free himself of the crushing load of routine business. Only then can he concentrate his attention upon problems of policy and other matters of great importance, such as guiding and coordinating the efforts of his immediate subordinates. They in turn should be encouraged to delegate authority for taking action still further down the hierarchical ladder. In physical fact the calendar day does not contain enough hours for a Secretary of State to undertake the duties of one of his clerks, or a bureau chief, or a chief of service -- and in the same day to supervise generally the activities of his Department.

During our study-mission to Bangkok we were greatly encouraged to find that decisions concerning routine matters are usually made at the level of the Director or even the Chief of Service, if we may adjust the Thai official terminology to find the corresponding echelon in the proposed Department of Commerce and Industry. We were particularly impressed to learn that, in the same

context, routine business is coordinated between governmental agencies at the level of the Director. The heads of the interested agencies are kept informed of course, but they do not expect or insist upon being consulted in advance unless the subject matter of the problem is highly important or a change in policy is involved. Thus, the top governmental executives in another Southeast Asian country have already been freed from direct supervision of routine activities, and the heads of subordinate units are expected and encouraged to assume responsibility for action.

1)(a) IT IS RECOMMENDED THAT THE INTERMEDIATE ECHELON OF DIRECTORATE-GENERAL BE THEN ABOLISHED.

If the proposed organization chart were superimposed upon the present chart, two Directors would report to the Director-General of Commerce, and a third Director would be responsible to the Director-General of Mines, Industry and Handicrafts. On theoretical grounds, to begin with, we would not view sympathetically an arrangement by which a major entity includes only one or two subordinate units. Supervisory talents are partially used and partially lost in many cases where these ratios of 1:1 or 1:2 apply. Furthermore, the chain of command is lengthened unnecessarily if the span of control is too narrow.

In this particular case, elimination of the intermediate echelon of Directorate-General would not affect the span of con-

trol. The number of officials reporting directly to the Secretary of State would be five, as it was previously. Personnel and facilities can be assigned to more productive tasks, problems of communication and coordination are simplified, and organizational structure is tightened, if the superfluous echelon is abolished.

As we have already indicated in the case of the Coordinator for Economic Affairs, the rank and perquisites of office should be commensurate with the responsibilities of the position. We are aware that the effect of this recommendation is to move the directorates up one rung on the hierarchical ladder. In order to permit the necessary adjustment, we do not exclude the possibility of recommending that the heads of the directorates take the personal rank of a Director-General. In our judgment it would be preferable, however, to classify the positions and assign a corresponding remuneration that did not depend upon the choice of a title.

2) IT IS RECOMMENDED THAT THE SERVICE OF ADMINISTRATION IN THE OFFICE OF THE SECRETARY-GENERAL ASSUME FULL RESPONSIBILITY FOR THE PERSONNEL, ACCOUNTING, BUDGETING, PROCUREMENT, AND MAIL AND RECORDS ACTIVITIES OF THE DEPARTMENT; AND THAT THE SUPERSEDED ENTITIES BE ABOLISHED.

These administrative support services should be consolidated in the present Service of Administration for increased efficiency and economy. Responsibility for these activities should be assigned to a Bureau of Personnel, a Bureau of Accounting, Procurement and Budget, and a Bureau of Mail and Files. This last entity would be responsible for receiving and dispatching mail, and also for providing messenger service. All sections of the Department have been brought together in one location thereby facilitating internal communications, such as the transmittal of official papers.

Centralizing these activities will permit the individual employees of this Service to concentrate their efforts upon a particular aspect of the problem. As a result of this specialization a higher output per employee should become possible. From the standpoint of management, this consolidation should result in a more effective control over expenditures and man-hours of work. Installation of mechanical aids for preparing payrolls and posting accounts in the ledgers should be considered in view of the increased volume of work for this Service. The head of each operating directorate should designate a particular person to be charged with maintaining close contact with this adminis-

trative entity so as to utilize the available facilities fully and promptly for program support.

The functions of the Bureau of Administration in the Directorate-General of Commerce and the Bureau of Administration in the Directorate-General of Mines, Industry, and Handicrafts will thus be absorbed by the Service of Administration. These two bureaus should then be abolished. If the National Institute of Statistics remains under the jurisdiction of this Department, the Bureau of Correspondence in the Institute should also be abolished and for the same reason.

2)(a) IT IS RECOMMENDED THAT A BUREAU OF ORGANIZATION AND METHODS BE ESTABLISHED WITHIN THIS SERVICE.

This Department is responsible for executing various programs of economic control which change frequently in subject, scope, and emphasis. These programs generate a tremendous volume of paperwork and thus raise problems of processing and storing the official papers. Operations are further complicated by the fact that many supervisory officials in the Department have had little training or experience in administrative matters. In this situation we believe that creating a Bureau of Organization and Methods within the Service of Administration would facilitate the work of the Department to a marked degree.

This entity would be responsible for the continuous review of internal structure and operating procedures, and for preparing recommendations to be submitted to the Secretary of State and his assistants in charge of operations. Those recommendations would supplement and complete this MSUG study. At the request of supervisors, this entity would prepare work schedules to ensure timely completion and coordination of the Department's programs. Upon request it would undertake studies and submit progress reports on the current status of individual programs as a guide to management. It would propose techniques for controlling and reducing the paperwork that is generated by the Department's programs of economic regulation.

We have already noted the desirability of abolishing those one-man or two-man subordinate units which require an uneconomic investment in supervision and administrative support. In this situation the responsible supervisor would probably welcome technical guidance from the Bureau of Organization and Methods in re-assigning duties and creating new entities as needed. Pending the establishment of this Bureau, we wish to emphasize that the supervisor should act upon his personal knowledge and judgment to make the best use of the available personnel and facilities.

Simplification of work methods is not the primary objective of this MSUG study, but we have made certain procedural recommendations in Part II on the basis of information which became available during a review of functions. Those changes should de-

crease the work load and increase the efficiency of the entities concerned. If the proposed Bureau of Organization and Methods reviews operating procedures throughout the Department, beneficial results can be expected on a larger scale. In the course of its efforts to reduce paperwork, the Bureau might determine the accuracy of reports in the Vietnamese press that the Department has requested importers to submit certain information in 40 copies and that import licenses are now prepared in 150 copies with each copy bearing a separate signature.

For a more detailed statement of the functions of an Organization and Methods unit, see the printed text of "Organization and Methods Work", a lecture which was delivered by Mr. Albert A. Rosenfeld of MSUG on June 11, 1956 in the Presidential lecture series for governmental executives in Vietnam.

3) IT IS RECOMMENDED THAT A SERVICE OF PROGRAM AND POLICIES BE CREATED WITHIN THE OFFICE OF THE SECRETARY-GENERAL TO FURNISH LEGAL AND OTHER FACILITIES TO THE OPERATING UNITS, NOTABLY IN DRAFTING REGULATIONS FOR EXECUTING ECONOMIC CONTROLS; AND THAT THE SUPERSEDED ENTITIES BE ABOLISHED.

The Service of Program and Policies should be established to provide additional facilities to support the operating units, and within each of those three directorates a person should be designated to maintain liaison with this Service. At present legal facilities are furnished by four separate entities within the Department. We propose consolidation of this function in a Bureau of Laws and Regulations. The legal and legislative problems of the operating directorates do not vary so greatly as to require separate facilities. Consolidation will permit management to adjust and equalize a workload that is now divided among four entities and also to ensure consistency in the Department's position on legal matters.

The Bureau of Laws and Regulations would draft or review proposed regulations and legislation at the request of the Secretary of State or his operating assistants. It would examine proposed programs, upon request, to determine their conformity to existing law. It would furnish the necessary facilities for preparing the Department's position in legal actions arising out of operations, such as civil suits or criminal prosecutions. Upon request it would represent the Department in legal controversies before administrative or judicial bodies.

The functions of the Service of Study and Legislation in the Office of the Secretary-General, the Bureau of Research and Legislation in the Directorate of Foreign Commerce, the Bureau of Legislation in the Directorate of Domestic Commerce, and the Bureau of Legislation and Documentation in the Directorate of Mines would thus be absorbed by the Bureau of Laws and Regulations. These four entities should then be abolished.

3)(a) IT IS RECOMMENDED THAT A BUREAU OF STATISTICS, A BUREAU OF COMMERCIAL INFORMATION, AND A BUREAU OF PROGRAM REVIEW BE ESTABLISHED WITHIN THIS SERVICE.

If the National Institute of Statistics is transferred to the Office of the Coordinator for Economic Affairs, as this report proposes, an entity should be created for the collection, analysis, and dissemination of statistical data concerning commerce and industry. The proposed Bureau of Statistics would, of course, cooperate with the National Institute of Statistics in the same way as the statistical service in any other line agency. This entity should enlist the aid of private organizations and individual businessmen in collecting commercial information. It would screen this material and organize the pertinent data in statistical form. This information would then be submitted to the Secretary of State and his operating assistants as a tool for measuring the impact of governmental programs in

commerce and industry, for forecasting probable business trends, and for devising new programs. Management would certainly consider this segment of economic information within the broader context provided by the work of the National Institute of Statistics and the recommendations which the Coordinator for Economic Affairs will submit to the President.

The public information activities of the Department should be brought to a focus in a specialized unit, the Bureau of Commercial Information. This new entity would be charged with disseminating non-technical information concerning commerce and industry to the business community and the general public. It should employ a wide range of media and techniques on a selective basis to convey each category of information. For example, it should assume responsibility for delivering the Department's weekly broadcast. The medium of radio broadcasting offers an excellent opportunity to alert the general public to the mission, policies, and programs of this Department. The proposed entity could also use publications, exhibits, press releases, and lectures to reach the desired audience. Available facilities in the Department of Information should be employed in efforts to convey a particular message to the larger "target groups."

The staff of the Bureau of Commercial Information should be composed principally of information specialists. Using non-technical language they would organize and disseminate the findings of the operating directorates, the Bureau of Statistics, and the

Bureau of Laws and Regulations concerning such subjects as market research, technological advances, and governmental regulations affecting commerce and industry in Vietnam and abroad. Few business organizations in Vietnam possess the capital and technical skills for conducting extensive research programs. The Bureau of Commercial Information would serve this Department and the economy of the country by making this factual material available to the interested companies and associations. The new entity would thus promote the expansion of commerce and industry.

The operating directorates and the Bureau of Statistics would act directly to disseminate technical information by replying to letters of inquiry and by publishing technical papers. Management should encourage these entities to propose topics of wider interest for the attention of the Bureau of Commercial Information. In such cases they would furnish this Bureau with the needed data.

The Bureau of Program Review would serve the Secretary of State and his operating assistants by suggesting measures to coordinate the Department's programs, which will be developed within the operating directorates. This entity would evaluate both the current programs and the proposed programs in the light of Departmental policy. It would recommend the necessary changes in content and emphasis to obtain conformity of program to policy. For the optimum use of available facilities, it would recommend further modifications in program whenever necessary to ensure an

equitable distribution of administrative support services to each of the substantive programs.

The proposals submitted by the Bureau of Program Review would also be designed to eliminate overlapping and to resolve potential conflicts between the individual programs. We suggest that this entity should make maximum use of the economic data developed by the proposed Bureau of Statistics and the National Institute of Statistics as a basis for its recommendations.

4) IT IS RECOMMENDED THAT A SERVICE OF FIELD OPERATIONS BE CREATED WITHIN THE OFFICE OF THE SECRETARY-GENERAL TO MAINTAIN CONTINUOUS CONTACT BETWEEN THE CENTRAL SERVICES OF THE DEPARTMENT AND THE FIELD REPRESENTATIVES; AND THAT FIELD OFFICES BE ESTABLISHED IN PARTICULAR PROVINCES AS THE NEED APPEARS.

The Service of Field Operations would supervise the activities of the Department's field offices on behalf of the Secretary of State. The proposed entity would serve as the official channel of communication between the central services and the field organization. This Service would ensure that the field offices play their part in executing the Department's programs. To maintain a balance and continuity in field operations, it should review and coordinate the instructions concerning program execution which the individual operating units send to the field offices. The chief of each operating directorate should designate a person to maintain liaison with this Service. At the chief's discretion the same person could be made responsible for liaison with all three Services in the Office of the Secretary-General.

Under the administrative supervision of the proposed entity, the field offices would observe local conditions and submit reports to the Department concerning the level of industrial and commercial activity, physical plant, labor skills, costs of production, wholesale and retail prices, etc. The field offices would be responsible for local distribution of the commercial information developed by the Department. In particular they would be charged with alerting the business community to the

facilities available for promoting commerce and industry. The field organization should also be prepared to participate in the execution of regulatory programs at the invitation of the responsible directorates in the Department.

Each field representative should invite suggestions from the business community and the general public for improving the Department's programs. Perhaps his most important function will be stimulating initiative and self-help within the business community for making the optimum use of local resources. We have already noted, for example, the potential importance of tourism. The chances of attracting investment capital from outside the area or winning governmental assistance would be greatly improved if the businessmen on the scene prepared plans for development emphasizing the local contribution. The field representative should encourage this approach to commercial and industrial problems with every facility at his command. It follows, then, that personal experience in business is a more desirable qualification for this post than academic training or experience in office management.

At present, the Department maintains field offices in Tourane and Dalat. As the commercial and industrial potentialities of other areas are developed, additional field offices should be established in the provinces concerned. The field representative would be expected to cooperate with the provincial administration on the same basis as the representatives of other national departments: Agriculture, Public Works, etc.

It is absolutely essential to the success of a field organization that the local offices receive continuous support from the central services. This support can take the form of assigning only high-calibre personnel in the field, providing adequate facilities particularly in office quarters and transportation, and maintaining a two-way exchange of information so as to reassure the field representative that the central services are following his work closely.

With the expansion of the field organization it can be expected that the Organization and Methods unit will eventually recommend the creation of a Directorate of Field Operations replacing the Service of Field Operations. The head of that entity would then be immediately responsible to the Secretary of State rather than the Secretary-General.

4)(a) IT IS RECOMMENDED THAT THIS SERVICE UNDERTAKE A PILOT STUDY CONCERNING DELEGATION OF AUTHORITY TO THE FIELD OFFICE IN TOURANE TO ISSUE IMPORT AND EXPORT LICENSES, TAKING NOTE OF THE IMPLICATIONS FOR THE NATIONAL OFFICE OF EXCHANGE.

Businessmen in the provinces who handle imports or exports must reckon with the added cost of shipping the commodities via Saigon, and the corresponding import or export license is now issued only in the national capital. The cost differential is particularly marked for the economy of North Central Vietnam

centering on the old capital city of Hue and the commercial center of Tourane. The Department has received a request from its field office in Tourane for delegation of authority to issue these licenses as a step in expanding the economy of that region. According to its proponents, this suggestion has a practical significance for at least two reasons. First, the port of Tourane could accomodate ocean-going vessels in foreign commerce if the harbor were dredged and if the dock facilities were improved. Second, overland commerce with Laos could be developed using the lateral, east-west road from Savannakhet and Tchepone in Laos to Dong Ha in the province of Quang Tri, where this road meets the National Road No. 1 running south to Hue, Tourane, and Saigon.

We suggest that the Service of Field Operations should conduct a pilot study of the feasibility of decentralizing the Department's activities in issuing import and export licenses as requested by the field office in Tourane. The Service of Field Operations should invite the opinions of other interested entities within the Department, notably the Directorate of Foreign Commerce and the Bureau of Organization and Methods. Any recommendations resulting from this survey should take into account the implications for the National Office of Exchange. It should be determined, for example, whether delegation of the licensing function would depend upon the establishment of branch offices of the National Office of Exchange.

Opening the provinces to direct access to foreign commerce would require a cooperative effort by private business and various governmental agencies: the Departments of Finance, Public Works, Commerce and Industry, for example. This is another situation in which the Office of the Coordinator for Economic Affairs could play a central role.

2) IT IS RECOMMENDED THAT A SERVICE OF EXPORT-IMPORT LICENSES BE CREATED WITHIN THE DIRECTORATE OF FOREIGN COMMERCE TO BE SOLELY RESPONSIBLE FOR ISSUANCE OF THESE PERMITS, AND THEREBY INCORPORATING THE LICENSING FUNCTION OF THE DIRECTORATE OF COMMERCIALIZED AID (FORMERLY THE NATIONAL IMPORTS COMMITTEE).

We have already suggested that authority to issue export and import licenses should be vested solely in this Department. See Recommendation (2)(c) under Part I, A. In the supporting statement for that proposal, we also noted that the Directorate of Foreign Commerce and the Directorate of Commercialized Aid are both engaged in issuing these licenses. The present recommendation for creating a Service of Export-Import Licenses completes the consolidation of this function by assigning full responsibility to a single entity.

The current division of responsibility between these two units of the Department is based upon the source of payment for imports. When imports are financed by external aid, the requisite license is granted by the Directorate of Commercialized Aid. If, however, the imports are financed by some other method (trade agreements with foreign countries, governmental reserves of foreign exchange, E.F.A.C. accounts, Compensated Exchange accounts, etc.), then the license is issued by the Directorate of Foreign Commerce.

In the interviews we noted a recognition among Vietnamese officials that external aid is a temporary measure. It appears fitting that unified responsibility for the licensing function

should be assigned to an entity which already licenses those imports that are paid for by Vietnam's exports. For the duration of this period of external assistance, the Service of Export-Import Licenses should be organized in structure and in its operating techniques to cope with the technical requirements set by foreign missions for processing the imports which they finance.

In discharging the licensing function, the proposed entity would help to execute an import and export program for the entire economy. However, this Department would participate in planning that program only to the extent of presenting the claims of commerce and industry. The Office of the Coordinator for Economic Affairs would formulate an overall export-import program in the course of integrating the various Departmental programs into a national economic plan. The Department of Commerce and Industry should not attempt to influence the execution of the approved plan or plans by issuing these licenses at its discretion. In this context, the role of this Department will be limited to administering a licensing procedure for exports and imports.

5)(a) IT IS RECOMMENDED THAT THE BUREAU OF EXPORTS (RE-DESIGNATED "EXPORT LICENSES") AND THE BUREAU OF IMPORTS (RE-DESIGNATED "IMPORT LICENSES"), PLUS THE BUREAU OF CONTROL OF TRADERS, BE ASSIGNED TO THIS SERVICE.

Within the Directorate of Foreign Commerce, the Bureau of Exports is now engaged in processing applications for export licenses, the Bureau of Imports processes applications for import licenses, and the Bureau of Control of Traders facilitates the issuance of both kinds of license by verifying the commercial bona fides of applicants. As these entities perform separate and useful tasks, we suggest that all three should be assigned with their present functions or enlarged functions to the Service of Export-Import Licenses.

5)(b) IT IS RECOMMENDED THAT THE BUREAU OF EXPORT LICENSES ABSORB THE DUTIES OF THE BUREAU OF QUOTATION OF PRICES; AND THAT THE SUPERSEDED ENTITY BE THEN ABOLISHED.

The Bureau of Quotation of Prices examines applications for export licenses to establish that the agreed selling price does not fall below a point reasonably close to the recent average price for that commodity in world markets, particularly in New York City. This is a useful precaution for safeguarding the public interest in building up Vietnam's reserves of foreign exchange. However, we believe that this is essentially a clerical operation which could be performed by one man and which could be

easily absorbed by the Bureau of Export Licenses. Accordingly, the Bureau of Quotation of Prices should be abolished.

6) IT IS RECOMMENDED THAT A SERVICE OF PROGRAM PLANNING BE CREATED WITHIN THE DIRECTORATE OF FOREIGN COMMERCE TO BE RESPONSIBLE FOR ESTIMATING THE IMPORT NEEDS AND EXPORTABLE SURPLUS IN COMMERCE AND INDUSTRY.

Responsibility for program planning within this operating directorate should be entrusted to a specialized entity. Creation of a planning unit would facilitate an exchange of ideas and a continuity of study contributing to the intrinsic value of the resultant proposals.

In close cooperation with the Department's operating units, the Service of Program Planning would prepare estimates of import needs and exportable surpluses in commerce and industry. The reports submitted by field representatives and the findings of the Bureau of Statistics should assist the planning unit immensely in making these calculations.

The Service of Program Planning would then set provisional goals for the Department's contribution to foreign commerce and propose an import and export program for achieving those targets. At this stage, planning has not yet reached the question of financing imports. After the Bureau of Program Review has coordinated this program with the proposed plans for operations within Vietnam, an integrated Departmental program would be submitted to the Secretary of State for his approval and for subsequent referral to the Office of the Coordinator for Economic Affairs.

2) IT IS RECOMMENDED THAT A SERVICE OF EXPORT DEVELOPMENT BE CREATED WITHIN THE DIRECTORATE OF FOREIGN COMMERCE TO SEEK AND EXPAND FOREIGN OUTLETS FOR VIETNAMESE PRODUCTS IN COOPERATION WITH THE DEPARTMENT OF FOREIGN AFFAIRS.

We have already referred to estimates that the external aid programs finance 80% to 90% of Vietnam's imports, and we have also noted that responsible officials do not expect this aid to continue indefinitely. Interviews revealed their desire to expand the volume of exports so as to balance imports. This recommendation provides the Secretary of State with an instrument for enlarging the current outlets and creating additional outlets overseas for Vietnam's products.

The Service of Export Development would be responsible for executing an export program for the entire economy as formulated by the Office of the Coordinator for Economic Affairs and approved by the President. Within the Department, the proposed entity should maintain close liaison with the Bureau of Commercial Information, the Bureau of Statistics, the Service of Export-Import Licenses, and the Service of Program Planning. In the final analysis, however, the administrative success or failure of an export drive will hinge upon the working relationship established between this Department and the Department of Foreign Affairs.

Through its diplomatic and consular missions, the Department of Foreign Affairs is uniquely placed to assemble information concerning opportunities for selling commodities in other countries and conversely for disseminating information in those countries

concerning Vietnam's exportable products. We note that the organization charts issued by the Department of Foreign Affairs for an embassy, a legation, and a consulate recognize and allocate responsibility for economic and commercial affairs. This provides an organizational framework for the function of commercial reporting, and it is essential that such reports be made available to the Department of Commerce and Industry.

The proposed entity should notify the Secretary of State and the Director of Foreign Commerce what categories of information will be needed for administering the program to expand exports. Then, specific requests for information should be drafted in concise language and forwarded to the Department of Foreign Affairs for their concurrence and for notifying the overseas missions. In addition to preparing periodic and special reports at the instance of the Department of Commerce and Industry, these diplomatic and consular posts should be encouraged to submit pertinent information on their own initiative.

It is assumed that the respective Secretaries of State would authorize direct communication in routine matters between the Directorate of Foreign Commerce and the corresponding echelon in the Department of Foreign Affairs. In that case, the Director should designate a person to be responsible for liaison with the other agency.

We recognize that the creation of administrative machinery and the adoption of techniques for commercial reporting do not

guarantee the substance of those reports in relevance and quality. That question concerns the capacities, training, and interest of the reporting officer; and the necessary degree of expertise is not produced automatically by any given period of service overseas.

During the interviewing phase a suggestion was made to us that the Economic Attaches should be transferred to the jurisdiction of the Department of Commerce and Industry. Some countries have taken this step in order to strengthen the administration of their export and import programs and to facilitate the appointment of specialists as Economic Attaches. In practice, this transfer has usually resulted in the exercise of functional control by this Department and the exercise of administrative control by the Chief of Mission, representing the Department of Foreign Affairs. This is the present situation in the government of the Philippines. On the other hand, the American government has abandoned that division of authority and integrated the Economic Attaches into the Foreign Service.

We do not take a stand on that suggestion. However, at the request of the two Departments concerned, we would be prepared to make a supplementary study of possible methods of establishing a coordinated operation and a high standard of commercial reporting.

7)(a) IT IS RECOMMENDED THAT THIS SERVICE ABSORB THE DUTIES OF THE BUREAU OF COMMERCIAL AGREEMENTS AND THE BUREAU OF INTERNATIONAL CONFERENCES, FAIRS, AND EXPOSITIONS.

The following functions are closely related to the execution of a program for expanding exports to foreign markets: preparing Vietnam's position on international agreements for exchange of commodities; organizing international conferences on commercial matters and international fairs and expositions to be held in Vietnam; and organizing Vietnam's participation in conferences, fairs, and expositions to be held in other countries. Accordingly, we propose that the Service of Export Development should incorporate the functions of the Bureau of Commercial Agreements and the Bureau of International Conferences, Fairs, and Expositions. These two bureaus belong to the Service of Programs and External Economic Relations in the Office of the Secretary-General.

Vietnam signed trade agreements with four countries -- Germany, Holland, Belgium, and Italy. These pacts have all expired, and fiscal difficulties have blocked the conclusion of new barter agreements. Pending a solution of those problems, the chief of the proposed Service should eliminate any unit for commercial agreements and instead assign its functions to one person, on a stand-by basis, as an added responsibility.

On the other hand, an entity for international conferences, fairs, and expositions should be maintained and strengthened as

an instrument for advertising to prospective buyers what Vietnam can offer in exportable commodities. At the discretion of the chief of the Service of Export Development, the present bureau could be reestablished. The proposed Service should of course discharge these additional duties in liaison with the interested agencies, notably the Department of Foreign Affairs.

8) IT IS RECOMMENDED THAT THE DIRECTORATE OF COMMERCIALIZED AID AND THE SERVICE OF PROGRAMS AND EXTERNAL ECONOMIC RELATIONS BE ABOLISHED AS SUPERSEDED ENTITIES.

If the foregoing proposals are accepted, the principal functions of the Directorate of Commercialized Aid and the Service of Programs and External Economic Relations will be re-allocated to other entities.

We consider first the effect of those suggestions upon the Directorate of Commercialized Aid. The licensing function would be consolidated in the Service of Export-Import Licenses. See Recommendation (5) under Part I, B and the supporting statement.

Formerly this Directorate drafted an import plan for the commercialized aid program taking into account the needs of all sectors of the economy. In the future each governmental department and agency would prepare estimates of program requirements for imported commodities. These estimates would be included in the prospectus of input and output which these entities submit to the Office of the Coordinator for Economic Affairs. See Recommendation (1) under Part I, A and the supporting statement. The Department of Commerce and Industry and, more particularly, the Service of Program Planning would be responsible for estimating the import needs of the commercial and industrial segments of the economy. See Recommendation (2) under Part I, A and Recommendation (6) under Part I, B with the supporting statements.

The recommendations already cited indicate further that the Office of the Coordinator for Economic Affairs would integrate these departmental plans into a national economic plan including a national import program. On behalf of the President, the Coordinator for Economic Affairs would negotiate with the external aid missions to fit their contribution of imports into the national import program.

The Directorate of Commercialized Aid would thus lose its functions of drafting an import program, negotiating singly or in working-parties with external aid missions, and issuing import licenses. This entity should be abolished, and its skilled personnel and records should be transferred.

Next we consider the effect of previous recommendations upon the Service of Programs and External Economic Relations. We have suggested that its role in international economic relations be assumed by the new Service of Export Development. See Recommendation (7)(a) under Part 1, B and the supporting statement.

Arrete 33-KT/TTK/ND of June 7, 1955 lists the formulation of import and export programs as functions of this entity. We have already noted, however, that the bulk of Vietnam's imports are financed by external aid; and in June 1955 it was the National Imports Committee which planned the commercialized aid program in liaison with the American economic aid mission. If this Service planned a national import program on its own motion, the legendary case of the tail wagging the dog would be realized.

Letter of Service 545/TC of August 16, 1955 accentuated this discrepancy between the official text and economic fact. This Department acquired jurisdiction over the National Imports Committee, which was re-designated the Directorate of Commercialized Aid and assigned to the Directorate-General of Commerce. On November 7, 1955 the Secretary of State issued an order transferring the Service of Programs and External Economic Relations to the Directorate-General of Commerce, but this transfer has never been executed.

In practice, this Service has accepted the import plan to be financed by commercialized aid and has incorporated it into the quarterly and annual national import program. Its active role consists in planning the importation of necessary commodities as a supplement to commercialized aid. In the future, planning the import requirements of commerce and industry would begin in the Service of Program Planning, and the national export-import program would be formulated by the Office of the Coordinator for Economic Affairs. Earlier in this statement we cited the appropriate recommendations.

The Service of Programs and External Economic Relations would thus lose its functions in program planning and in international commercial relations. This entity should be abolished, and its skilled personnel and records should be transferred.

2) IF IS RECOMMENDED THAT THE OFFICE OF TOURISM BE ASSIGNED TO THE DIRECTORATE OF DOMESTIC COMMERCE AS A SERVICE UPON ITS TRANSFER FROM THE DEPARTMENT OF RECONSTRUCTION AND CITY PLANNING TO THIS DEPARTMENT.

We have already proposed transfer of the Office of Tourism to this Department. See Recommendation (2)(a) under Part I, A and the supporting statement. During the interviewing phase but prior to submission of the interim report in September this entity was removed from the Department of Public Works and assigned to the newly-created Department of Reconstruction and City Planning. The present report would have recommended a transfer to the Department of Commerce and Industry even if this entity had remained within the Department of Public Works. This proposal does not reflect any adverse opinion of the Department of Reconstruction and City Planning. We recognize, moreover, that a transfer at this stage could involve considerable readjustment within that Department; but for long-range considerations we believe that this move is desirable.

If our earlier proposal is accepted, the Office of Tourism should then be re-designated the Service of Tourism and be assigned to the Directorate of Domestic Commerce. The new Service would be charged with promoting the growth of a tourism industry in Vietnam. It would seek out and identify prospective tourist attractions. It would advise businessmen in drafting plans for developing, restoring, or maintaining those attractions. As already noted, those plans should emphasize the local effort

so as to attract investment capital and justify governmental support. The Service of Tourism should ensure that each prospectus makes adequate allowance for the necessary facilities, such as lodging and transportation.

This entity should also assemble the necessary data for the elements in promotional campaigns; brochures, posters, articles in newspapers and magazines, radio broadcasts, etc. It should develop appropriate channels for distributing information concerning tourist attractions. In these activities the Service of Tourism should work in close liaison with the Bureau of Commercial Information, the Service of Field Operations and its field offices, and with the appropriate entity in the Department of Foreign Affairs.

10) IT IS RECOMMENDED THAT A SERVICE OF COMMERCIAL DEVELOPMENT BE CREATED WITHIN THE DIRECTORATE OF DOMESTIC COMMERCE TO GIVE TECHNICAL ASSISTANCE TO ENTREPRENEURS IN COMMERCIAL MATTERS.

It is often the case that Vietnamese businessmen, particularly small businessmen, lack training and experience in commercial techniques. The proposed Service of Commercial Development would offer advice concerning the organization and management of a business enterprise, facilities for obtaining credit on reasonable terms, the established patterns of trade, and access to domestic markets. It would also be responsible for advising entrepreneurs concerning recent developments in marketing techniques and governmental regulations.

Counsel should be made available to individual businessmen or to groups who have similar interests and problems. For example, this entity would conduct business clinics for the analysis and solution of common problems. In particular, it should give advice concerning the whole range of commercial techniques to businessmen who wish to establish a cooperative for producing or marketing manufactured articles.

By extending this technical assistance, the Service of Commercial Development would foster the foundation and growth of new enterprises, and it would assist small businesses to compete more effectively with larger units. The adoption of improved commercial procedures should result in increased operating efficiency and lower cost per unit. If these savings are passed

on to the consumer through lower prices, domestic markets and production should expand accordingly.

The proposed entity can thus make a significant contribution to the promotion of domestic commerce. For registering a maximum beneficial impact upon the economy, the Service of Commercial Development should work closely with the Bureau of Commercial Information and the Service of Field Operations and its field offices.

10)(a) IT IS RECOMMENDED THAT THIS SERVICE ABSORB THE RELATED DUTIES OF THE BUREAU OF HANDICRAFT PROMOTION AND THE BUREAU OF COMMERCE, HANDICRAFTS, AND INDUSTRY; AND THAT THE SUPERSEDED ENTITIES BE THEN ABOLISHED.

In discharging the mandate described above, the Service of Commercial Development would duplicate the work of two entities. The Bureau of Handicraft Promotion, which belongs to the Directorate of Industry and Handicrafts, has sought to establish cooperatives and to improve the quality of handicrafts. Also, the Bureau of Commerce, Handicrafts and Industry, which belongs to the Directorate of Domestic Commerce, has sought to increase production. In order to forestall a duplication of work, these two bureaus should be abolished.

11) IT IS RECOMMENDED THAT A SERVICE OF ALLOCATION AND CONTROLS BE CREATED WITHIN THE DIRECTORATE OF DOMESTIC COMMERCE TO ADMINISTER THE DEPARTMENT'S PROGRAMS OF ECONOMIC REGULATION AND ALSO TO ISSUE PATENTES, IF THE FUNCTION OF BUSINESS REGISTRATION IS TRANSFERRED FROM THE DEPARTMENT OF FINANCE TO THIS DEPARTMENT.

We have already noted that the Government of Vietnam has committed itself to a policy of intervention in economic processes. The task of executing certain direct controls has been assigned to this Department, and we suggest that a single entity be created to administer controls in domestic commerce. For example, the proposed Service of Allocation and Controls would conduct programs for allocating commodities in short supply and for controlling prices. By directing the distribution of goods according to priorities, and by establishing and publicizing reasonable profit margins for the sale of controlled commodities, this entity would contribute substantially to economic stabilization.

The Service of Allocation and Controls would also assist local authorities to enforce laws concerning the accuracy of weights and measures in business establishments and the observance of standards of purity for processed foods. As the registration of businessmen is another form of economic control in the public interest, we suggest that the function of issuing patentes should be assigned to this entity, in the event that the Department of Finance relinquishes that responsibility. See Recommendation (2) (e) under Part I, A and the supporting statement.

11)(a) IT IS RECOMMENDED THAT THIS SERVICE ABSORB THE DUTIES OF THE BUREAU OF SUPPLY AND THE BUREAU OF TAXATION; AND THAT THE SUPERSEDED ENTITIES BE THEN ABOLISHED.

In allocating the limited quantities of certain consumer's goods to the various cities and provinces of Vietnam, the proposed Service of Allocation and Controls would duplicate the work of the Bureau of Supply, which belongs to the Service of Domestic Commerce. The new entity should allocate controlled commodities in close liaison with the Service of Field Operations and its field offices. Furthermore, the recommended role of the new entity in price control would encompass the responsibilities of the Bureau of Taxation, which belongs to the Service of Domestic Commerce. To avert a duplication of effort, these two bureaus should be abolished.

11)(b) IT IS RECOMMENDED THAT THIS SERVICE ASSUME THE DUTIES OF THE SERVICE OF PRICE CONTROL AND THE SERVICE OF FRAUD PREVENTION; AND THAT THESE SUPERSEDED ENTITIES BE CONVERTED INTO BUREAUS SUBORDINATE TO THIS SERVICE OR ELSE ABOLISHED.

In controlling the prices for certain commodities and fixing the dealers' margin of profit, the Service of Allocation and Controls would discharge the same responsibilities as the Service of Price Control belonging to the Directorate of Domestic Commerce. Also, in administering controls over weights and measures and purity of processed foods, the proposed entity would duplicate the

work of the Service of Fraud Prevention, which is a part of the Directorate of Domestic Commerce.

To forestall a duplication of responsibilities, the two existing Services should either be integrated into the Service of Allocation and Controls at the bureau level or else abolished, at the discretion of the Chief of the proposed entity. If the two Services are converted into bureaus, every care should be taken to maintain the current rate of pay for the personnel concerned, provided that they continue to perform the same tasks. This is another illustration of the principle governing remuneration which we cited in describing the position of the Coordinator for Economic Affairs and the heads of the three operating directorates.

At the present time regulatory activities concerning prices, allocation of scarce commodities, weights and measures, and pure foods are performed by provincial and municipal officials under the technical guidance of the entities described above. In the national capital, however, those entities try to administer the regulatory programs themselves with the assistance of the prefectural police.

We suggest that the new Service of Allocation and Controls should withdraw completely from direct enforcement. It would continue to establish policies and standards for executing controls, and also to fix price ceilings and profit margins. Then, the man-hours which are now devoted to enforcement activities in

the Saigon-Cholon area should be applied to training the provincial and local officials who will execute these controls throughout the country. Working closely with the Department's field organization, this entity would serve as the focal point for a series of national programs.

12) IT IS RECOMMENDED THAT A DIRECTORATE OF INDUSTRIAL DEVELOPMENT BE ESTABLISHED TO FOSTER ADVANCES IN INDUSTRY AND MINING; AND THAT THE DIRECTORATE OF MINES AND THE DIRECTORATE OF INDUSTRY AND HANDICRAFTS BE THEN ABOLISHED AS SUPERSEDED ENTITIES.

In addition to the abolition of the Directorate-General echelon and the consolidation of administrative support services, we propose that a streamlined entity be created at the Directorate level to execute the Department's programs in regard to manufacturing and mining. To underscore the Government's interest in the expansion of industry, we suggest that this new entity be called the Directorate of Industrial Development. It would encompass the residual, major sub-divisions of the former Directorate-General. These principal units are the Directorate of Mines, the Directorate of Industry and Handicrafts, and the Service of Patent and Trademark Issuance.

The anomaly of two Directorates reporting to a third Directorate is averted by the additional recommendation that the two residual Directorates be abolished. Their functions should be re-allocated within the new Directorate of Industrial Development. Again we caution against any automatic decrease in pay or status for personnel who will perform the same duties after being transferred to a lower-ranking entity.

13) IT IS RECOMMENDED THAT A SERVICE OF INDUSTRIAL MOBILIZATION BE CREATED WITHIN THE DIRECTORATE OF INDUSTRIAL DEVELOPMENT TO MAINTAIN AN INVENTORY OF THE FACTORS OF PRODUCTION AND TO PROMOTE INCREASED PRODUCTIVITY AS WELL AS EXPANSION OF THE INDUSTRIAL BASE.

The proposed Service of Industrial Mobilization would be responsible for gathering the necessary data to maintain an up-to-date inventory of productive elements -- particularly plant, equipment, raw materials, and labor skills. In regard to this last factor, we note that the Department of Labor has started to assemble information concerning employment figures. It is strongly recommended that the proposed entity should maintain close liaison with that agency so as to utilize pertinent data and avoid any duplication of effort. All statistical information going into this general inventory should be transmitted to the Bureau of Statistics.

The new entity would study industrial needs and draft plans for increasing productivity and expanding the industrial base. It should maintain liaison with the Service of Program Planning in the Directorate of Foreign Commerce concerning industrial requirements for imported equipment and materials.

Collecting information concerning technological advances and improvements in techniques of production would be another responsibility of this Service. This information should be disseminated directly to individual businessmen or forwarded to the Bureau of Commercial Information for a wider distribution. A close working relationship with the Department's field organization is essential

to the collection and dissemination of this data.

It should be noted that a given business enterprise, for example a producer's weaving cooperative, could obtain valuable information and guidance from both the Service of Commercial Development, regarding commercial techniques, and from this entity in regard to industrial techniques.

13)(a) IT IS RECOMMENDED THAT THIS SERVICE ABSORB THE DUTIES OF THE SERVICE OF INDUSTRIAL CONTROL AND THE SERVICE OF HANDICRAFTS; AND THAT THE SUPERSEDED ENTITIES BE THEN ABOLISHED.

In discharging the responsibilities described above, the proposed Service of Industrial Mobilization would duplicate the functions of the Service of Industrial Control and the Service of Handicrafts in the Directorate of Industry and Handicrafts. To avoid a duplication of efforts, we suggest that these two existing Services be abolished.

14) IT IS RECOMMENDED THAT A SERVICE OF TECHNICAL STANDARDS AND RESEARCH BE CREATED WITHIN THE DIRECTORATE OF INDUSTRIAL DEVELOPMENT TO FORMULATE STANDARDS OF QUALITY, CONVENIENCE, AND UTILITY FOR MANUFACTURED GOODS, AND TO CONDUCT PHYSICAL AND CHEMICAL RESEARCH.

Marketing goods will be greatly facilitated if manufacturers observe standards of size, weight, shape, durability, and quality of contents for their products. Within Vietnam the consumer will thus be protected against shoddy or adulterated merchandise, and he will gain confidence in domestic manufactures. This element of reliability applies in foreign commerce as well, but in addition there is the practical necessity of complying with internationally-recognized physical specifications before a product can be sold in export markets.

A Service of Technical Standards should be created to formulate these standards. It would assemble the necessary data for the Bureau of Commercial Information to use in an educational campaign to acquaint manufacturers and the general public with the importance and benefits of a standardization program. In the event that some or all of these standards are made legally binding upon manufacturers, this entity should give technical guidance to local officials, who would enforce these controls by inspection of goods in the factories.

Responsibility for conducting the Department's physical research programs and chemical research programs should be assigned to this proposed entity. Upon request it should be prepared to advise other governmental agencies and departments in technical

and scientific matters. In the future the Department may decide to establish specialized laboratories for mineral research or fuel research etc. However, in view of the shortage of research technicians and laboratory equipment, we believe that it would now be advisable to centralize this activity in the Service of Technical Standards and Research.

The findings resulting from these research programs should receive the widest distribution among the governmental departments concerned, the business community, and interested sections of the general public. This entity should work closely with the Service of Industrial Development, the Bureau of Commercial Information, and the Department's field organization to disseminate information concerning these new or improved industrial techniques.

14)(a) IT IS RECOMMENDED THAT THIS SERVICE ABSORB THE DUTIES OF THE BUREAU OF TECHNICAL STUDIES AND THE BUREAU OF EXPERIMENTATION; AND THAT THE SUPERSEDED ENTITIES BE THEN ABOLISHED.

In discharging the mandate outlined above, the Service of Technical Standards and Research would duplicate the functions of the Bureau of Technical Studies in the Service of Technical Documents and Legislation and also the Bureau of Experimentation. To avoid a duplication of effort, these two bureaus should be abolished.

15) IT IS RECOMMENDED THAT A SERVICE OF FUELS AND MINERALS BE CREATED WITHIN THE DIRECTORATE OF INDUSTRIAL DEVELOPMENT TO EXPLOIT NATIONALLY-OWNED RESOURCES IN FUELS AND MINERALS, AND TO SPONSOR OR OTHERWISE ASSIST GEOLOGICAL EXPLORATION FOR NEW RESERVES.

The proposed Service of Fuels and Minerals should acquire the residual functions of the Directorate of Mines after responsibility for physical and chemical research has been transferred to the Service of Technical Standards and Research, and inspection of safety hazards in mines has been added to the responsibilities of the Department of Labor. See Recommendation (14) under Part I, B and Recommendation (2)(f) under Part I, A with supporting statements. Exploitation of nationally-owned resources in fuels and minerals and geological exploration for new reserves of fuels and minerals serve as examples of these residual functions.

We suggest that responsibility for the current inspections should not be transferred to the Department of Labor. This is a temporary exception to the cited recommendation. In addition to his other duties, a mining engineer employed by the Department of National Economy now performs certain inspections, which have already been described. For an economical use of scarce technical personnel, we propose that the Service of Fuels and Minerals should inherit that limited function of testing boilers and controlling the storage and use of high explosives.

15)(a) IT IS RECOMMENDED THAT THIS SERVICE ABSORB THE DUTIES OF THE SERVICE OF MINERAL RESEARCH AND THE SERVICE OF MINING CONTROL; AND THAT THESE SUPERSEDED ENTITIES BE THEN ABOLISHED.

In discharging the residual responsibilities of the Directorate of Mines, the proposed Service of Fuels and Minerals would duplicate the functions of the Service of Mineral Research (in regard to exploration) and the Service of Mining Control. To avoid a duplication of effort, we suggest that the two existing Services should be abolished.

16) IT IS RECOMMENDED THAT THE SERVICE OF PATENT AND TRADE-MARK ISSUANCE IN THE DIRECTORATE OF INDUSTRIAL DEVELOPMENT BE RE-DESIGNATED THE SERVICE OF PATENTS AND TRADE-MARKS, AND THAT THIS SERVICE INCORPORATE THE ACTIVITIES OF THE COURTS OF JUSTICE IN REGISTERING APPLICATIONS.

We do not propose any changes in the organization or mission of the entity which is now responsible for issuing patents and trade-marks. We recommend a re-designation of this entity, however, because it is desirable in the national interest that patent applications should be reviewed and analyzed technically to establish the distinct contribution which that invention will make. This detailed control would prevent many instances of infringement on other patents. The proposed entity would therefore do more than administer a licensing procedure.

Pending Vietnam's adherence to the international convention on patents and trademarks, the proposed entity should be prepared to advise applicants how to protect their interests abroad by making application in another jurisdiction.

Functional consolidation would be completed by incorporating the registration activities of the Courts of Justice in the Service of Patents and Trade-marks. See Recommendation (2)(d) under Part I, A and the supporting statement.

Part II.

A.) IT IS RECOMMENDED THAT A UNIFORM PROCEDURE BE ADOPTED FOR REPORTING PRESENCE OR ABSENCE OF PERSONNEL, AND THAT THE ATTENDANCE REPORT BE USED AS THE SOLE BASIS FOR PREPARING PAYROLLS.

Salaries of personnel constitute a large part of the budget of the Department of National Economy. To meet its responsibilities to the taxpayer and to cope successfully with a gigantic volume of paperwork, the Department must make sure that it gets a full day's work from each employee for a full day's pay. The physical presence of an employee is, of course, no guarantee that he will be working during that time. However, if an employee is at his desk, we can expect that under competent supervision he will be kept busy at constructive tasks.

At the present time, no record is made of the attendance or absence of employees. The payroll is processed on the premise that all employees have been present or otherwise accounted for on every working day. Such a procedure may have been satisfactory when the Department was small and the personnel officer could walk around the building and note who was present. To establish attendance more accurately for the present staff, however, we recommend the installation of an attendance reporting procedure and the preparation of payrolls from certified attendance reports.

For this purpose we recommend that an employee in each unit be designated as "timekeeper" in addition to his other duties. Each day he should note on a form similar to that shown in Annex F

the number of hours which the employees have worked. If an employee was on leave with or without pay, this information would also be shown. Documents authorizing leave or other absence should be attached to the attendance report.

At the end of the pay period, the "timekeeper" presents the report to the unit supervisor, who would certify the correctness of the report, after verification, and forward it with attached forms to the payroll office. The attendance report should be the sole basis for preparing the payroll.

B.) IT IS RECOMMENDED THAT THE SYSTEM OF PROCESSING INCOMING AND OUTGOING MAIL BE REVISED TO REFLECT THE PROPOSED DELEGATION OF AUTHORITY FROM THE SECRETARY OF STATE TO THE HEADS OF SUBORDINATE UNITS.

Until recently the system of routing correspondence seemed expressly designed to throw the greatest possible burden of detailed review directly upon the Secretary of State. He read all the mail addressed simply to the Department or to the Secretary of State, and decided what should be done. This correspondence then flowed down through channels to the Director of Cabinet, the Secretary-General, and the Chief of the Service of Administration, who took the necessary action, or forwarded the correspondence to the appropriate organizational unit. The Secretary of State processed 7,637 incoming letters on this basis in the first six months of 1956. It is doubtful whether more than 5% of the mail warranted the Secretary's personal attention.

Outgoing mail was processed in the same manner but in reverse order. The Secretary of State signed 3,171 letters during the same period.

This procedure not only throws a crushing burden of detail upon the top executives of the Department and thereby prevents them from performing their normal functions of policy-making, coordination and operational review. It also delays delivering and processing the mail, due to the numerous registrations (or "logging") and reviews.

We are encouraged to find that the Secretary of State has already taken some measures to disengage himself from processing routine correspondence. This is certainly a step in the right direction. We suggest, however, that the system should be revised radically so as to ensure that the heads of subordinate entities will take the necessary action. See Recommendation (1) under Part I, B and the supporting statement. Accordingly we recommend the following changes in policy and procedure:

- 1) That the Secretary of State issue a Departmental Order authorizing and requiring the heads of subordinate units to answer all correspondence dealing with matters within their jurisdiction. Questions on which policy has not been established or which concern two or more entities may be referred up to the next administrative level for reply. In such cases the referral should be accompanied by the text of a suggested reply, plus such background materials as are required to throw light on the problems involved. In this connection, all officials should re-read Mr. Homer D. Bigbee's lecture on "Staff Work," which was delivered on June 6, 1956 in the Presidential lecture series on Administration.
- 2) That this Order provide for incoming mail to be processed as follows:
 - a.) All mail for the Department will be delivered to a central mailroom to be established by the

Service of Administration. See Recommendation (2) under Part I, B and the supporting statement.

b.) There the mail will be sorted into these categories:

1.) Telegrams

2.) Correspondence from the Presidency

3.) Letters marked "Secret"

4.) Letters marked "Personal"

5.) All other correspondence

c.) Then the central mailroom will distribute the mail according to this work plan:

1.) "Telegrams" will be registered and delivered immediately to the entity having jurisdiction.

2.) "Secret" correspondence will be delivered unopened and unregistered to the Directorate of Cabinet.

3.) Correspondence from the Presidency will be registered and delivered to the Directorate of Cabinet.

4.) Letters marked "Personal" will not be opened or registered. They will be distributed through channels on the same basis as routine correspondence. Employees should be reminded to have such mail

addressed to their homes rather than to the office.

5.) All other mail will be opened but not registered. The mail clerk will read as much of the letter as is necessary to determine the subject matter and to route it to the proper office. Some inquiries for information can be answered by the mailroom staff itself by dispatching a pertinent form, pamphlet, etc. A supply of such items should be kept in the mailroom for this purpose. A courteous acknowledgement of receipt should be stamped on the incoming letter, which will be returned to the sender with the requested information and after a statistical control. This procedure avoids any need for writing a transmittal letter, for filing the incoming letter, etc. An in-service training program for mail clerks should be instituted to alert them fully to their responsibilities.

(a.) For purposes of routing mail, a number should be assigned to each organizational unit so that the clerk will not have to write "Directorate of Industrial

Development, Service of Technical Standards and Research" on the correspondence, but only the number "28," for example!

- d.) Mail should be distributed by messenger throughout the Department according to a recognized schedule -- perhaps four times daily -- as required by the volume of incoming postal deliveries. Outgoing mail should be picked up in the various offices at the same time.
- 3) Outgoing Mail
 - a.) Outgoing mail should be taken to the central mailroom and sorted into two categories: those letters for internal delivery and those for external delivery. Internal mail would be placed in the incoming mail rack.
 - b.) Normally, the central mailroom would retain no copies of outgoing mail.

C.) IT IS RECOMMENDED THAT THE SYSTEM OF PROCESSING APPLICATIONS AND ISSUING TRADE-MARKS BE REVISED FOR ADMINISTRATIVE CONVENIENCE AND FOR INCREASED PROTECTION TO THE REGISTRANT.

The following procedure for processing trade-mark applications should be adopted. These suggestions are based on the assumption that our recommendation for consolidating the trade-mark registration function will be accepted. See Recommendation (16) under Part I, B.

- 1) The applicant will submit 3 copies of the application form, 3 portrayals of the trade-mark with any required explanation, and an engraved block or cut suitable for printing the trade-mark in the Official Journal.
- 2) The application and the trade-mark description will be classified by the type of product concerned.
- 3) The application will then be reviewed; and if approved, it will be processed as follows:
 - a.) All copies of the application and the trade-mark description will be marked "Approved," and will be dated and signed by the approving officer.
 - b.) The printing cut will be held temporarily, pending issuance of the Official Journal. When the cut has served this purpose, it will be returned to the trade-mark registrant.

- c.) One copy of the approved application and the trade-mark description will be returned to the registrant.
- 4) Four index cards will be prepared. In size they should be approximately 3" x 5". Two of the index cards should be white; the other two could be blue, for example. The following data should be entered on the cards:
 - a.) The trade-mark number
 - b.) The class or category of the product
 - c.) The name of the registrant
- 5) One copy of the application and the trade-mark description will be filed at the Service of Patents and Trade-Marks by number. One white card will be filed there by the category of product. One blue card will be filed there alphabetically by the name of the trade-mark registrant.
- 6) The second white card and the second blue index card, plus the third copy of the application and the trade-mark description, will be filed in the manner described above at a records storage depot for security against loss by fire or other destructive force. Pending the establishment of such a depot, these security copies should be held in a suitable building located in the Saigon area, but preferably not in Saigon or Cholon.

D.) IT IS RECOMMENDED THAT THE SCHEDULE OF FEES BE ADJUSTED TO MEET CERTAIN CRITERIA, NOTABLY THAT THE AGGREGATE CHARGES COVER THE COST OF THE SERVICE RENDERED.

For the convenience of businessmen and the general public, the fees which this Department charges for various services should be assembled and issued in a consolidated list. This schedule should be reviewed periodically to determine its internal consistency and the reasonableness of each fee in relation to current economic conditions. Wherever feasible, the charges should be adjusted so as to meet certain criteria, including the following considerations:

- 1) The fee should not be so low that it fails to discourage frivolous applications.
- 2) The fee should be high enough that the aggregate receipts cover the cost of the service.
- 3) The fee should not be so high that it becomes a substitute for taxation to raise funds for the general treasury.

To the extent that aggregate receipts from a given fee fall below the costs of operation, that class or category of applicant receives a hidden subsidy from the Treasury with the service rendered. On the other hand, to the extent that aggregate receipts exceed the costs of operation, this Department has levied a hidden tax upon the applicants for that service.

We offer these standards as technical guidance to the responsible officials who will review the level of fees. At the

same time it is recognized that the Department may decide to undercharge or to overcharge for a given service for reasons of public policy outweighing administrative considerations. The issuance of patents and trade-marks illustrates various aspects of this problem.

The present level of fees was fixed in 1952 at 125 piastres for a renewable, 15-year trade-mark, and at 1,000 piastres for a 5-year patent, 2,000 piastres for a 10-year patent, and 3,000 piastres for a 15-year patent. It is doubtful that receipts have ever covered costs. Even if it is assumed that the fees were adequate for this purpose in 1952, the devaluation of the piastre and the continued inflation have caused operating expenses to run ahead of receipts. An upward revision of fees is therefore indicated, unless the Government finds that the present subsidy is necessary in the public interest so as to encourage further advances in the arts and sciences.

During the interviewing phase the question of raising these fees was discussed. We do not believe that a moderate increase would discourage applicants unduly and thus impede progress. Let us assume, as an example, that the receipts accruing from an adjusted fee of 5,000 piastres for a 15-year patent and 250 piastres for a trade-mark would equal the costs of operation. At this point the fee does not entail a subsidy, nor does it include a tax.

By issuing the patent or trade-mark, the state creates valuable property rights, vests them exclusively in the registrant,

and protects these rights against infringement. Through the Service of Patents and Trade-Marks the state thus encourages advances in technology, and it fosters the expansion of commerce and industry. There is nothing in this recommendation, however, to inhibit the state from levying taxes upon these licenses or the income derived from them. For clarity in administration we suggest that the Department of Finance, not this Department, should collect taxes. See Recommendation (2)(e) under Part I, A and the supporting statement for a similar situation regarding patentes and a disguised franchise tax.

We have proposed that local authorities should inspect weights and measures throughout the country under the technical guidance of the Service of Allocation and Controls. See Recommendation (11)(b) under Part I, B and the supporting statement. It is assumed that this entity would retain authority to set fees for these services on a national basis. However, as the costs of operation are likely to vary from province to province, the Service of Allocation and Controls may wish to establish a flexible schedule of fees. In any event we suggest that the fees collected should be credited to the local budget which maintains the service.

E.) IT IS RECOMMENDED THAT THE LAWS WHICH PROMOTE AND REGULATE COMMERCE AND INDUSTRY BE CONSOLIDATED AND ISSUED AS A BUSINESS CODE.

During the interview phase of this study, Vietnamese officials frequently called attention to the need for revising the legislation governing commercial and industrial activity. Many of the pertinent laws date from the period of colonialism, and the official terminology has been outmoded by Vietnam's advance to independence. Legislation which is still valid in free Vietnam may stem from a variety of sources: the federal association of Indo-China, the old colony of Cochin-China (South Vietnam), the protectorate of Annam (Central Vietnam), then in 1949 the State of Vietnam with its regional administrations, and now the Republic of Vietnam.

The laws pertaining to commerce and industry have never been assembled and issued in a single document or series of papers. Thus, if a businessman wants to determine the state of the law on a question of contracts, he or his lawyer must first consult a multiplicity of sources. At that point, a common technique in legal draftsmanship complicates the problem of establishing which laws are still valid. In drafting new laws there is an unfortunate tendency to abolish inconsistent legislation with a general statement. No one can be sure which laws have thus been abolished until the courts have ruled on the question of inconsistency with the most recent legislation. Due to the nature of the legal process, this determination is made on a

piecemeal basis, case by case, and only when that issue is raised.

The expansion of commerce and industry in Vietnam depends to some extent upon the relative ease or difficulty with which legal rights and obligations can be determined. Businessmen usually want to know the conditions which govern operations before they will invest in an enterprise. We welcome the initiative of this Department in undertaking a study of the problem. In the opinion of MSUG, this study should include the following steps so as to give maximum service to businessmen and investors.

- 1) Assembling all pertinent legislation;
- 2) Determining for purposes of administration which laws have been superseded, and requesting additional legislation, as needed, to repeal those laws in specific terms;
- 3) Arranging the valid legislation by subject matter, and issuing this body of law as a business code.

The Bureau of Laws and Regulations could act for the Secretary of State in drafting the code. During this stage the Department of Justice and the Council of State should be invited to give technical guidance. As for publication and distribution, the Secretary of State could call upon the services of the Bureau of Commercial Information; and he could request the Department of Information to make its facilities available.

Provided that the resultant code is kept up-to-date, this Department will provide the business community in Vietnam with a

highly valuable tool for the conduct of commercial relations.

In keeping with the principle that the beneficiaries of a specialized service should pay the bill, we suggest that the original compilation and periodic revisions of the code should be offered to businessmen, on a subscription basis, at a fee high enough to meet the costs of printing and distribution. See Recommendation "D" under Part II and the supporting statement.

F.) IT IS RECOMMENDED THAT THIS DEPARTMENT SPONSOR, AFTER STUDY, ANY NECESSARY CHANGES IN THE LAW AND REGULATIONS TO CLARIFY THE RIGHTS AND OBLIGATIONS OF STOCKHOLDERS IN A CORPORATION IN ORDER TO PROMOTE THE MOBILIZATION OF INDIVIDUAL SAVINGS FOR INVESTMENT.

Article 21 of the new Constitution endows the state with responsibility for facilitating the investment of savings in the stock issued by corporations. With the growth of public confidence in the future of free Vietnam, more and more people will save a portion of their income sacrificing current consumption in order to satisfy their wants at a later date. In the aggregate these savings represent an important potential source of capital for financing the expansion of the economy without adding to inflationary pressures.

One of the ways by which the state can encourage the public to invest in business enterprises, thus mobilizing a large number of individual savings, is to clarify the legal rights and obligations of stockholders. In particular this clarification would apply to the powers which the stockholders can exercise over the management and the limited liability which stockholders owe to creditors of the corporation. When the legal position of the corporate form of enterprise has been determined, the pertinent facts should be widely publicized so as to foster a favorable climate of opinion for the issuance and purchase of these equities under proper safeguards.

As corporations usually operate in the commercial and industrial segments of the economy, we suggest that this Department

is the appropriate instrument for undertaking the investigation. The Secretary of State could designate the Bureau of Laws and Regulations to study the current legal position and to report its findings to him along with recommendations for any necessary changes.

It is highly important that the accepted recommendations and the implementing measures be included in the proposed business code. Devoting a section of the code to corporations would insure dissemination of this information throughout the business community. This selective approach should be supplemented by an educational program to be aimed at the growing number of potential investors among the general public. Here again a coordinated and cooperative effort will be needed from the Bureau of Laws and Regulations, the Bureau of Commercial Information, and the Department of Information. See Recommendation "E" under Part II and the supporting statement.

G.) IT IS RECOMMENDED THAT THE DEPARTMENT SPONSOR A STUDY OF THE IMPACT UPON THE NATIONAL ECONOMY RESULTING FROM PROVINCIAL TAXES WHICH ARE LEVIED UPON THE MOVEMENT OF GOODS BETWEEN PROVINCES.

At the present time commodities which are transported from one part of Vietnam to another may be subjected to physical controls and tax levies as the shipment crosses each province along the way. The receipts from this kind of taxation represent an important element in the provincial budgets. In his Report on Tax Activities in the Provinces of South Vietnam, which was published by the National Institute of Administration in November, 1956, Professor David C. Cole estimates that this levy furnishes 67% of the total revenues collected by those provincial administrations.

Of course the consumer pays this added expense in the form of higher prices. The cost to the economy is still greater, however; for the numerous inspections add considerably to the transit time, and the volume of goods which can be sold at the market will be decreased by spoilage en route.

The Department of Commerce and Industry bears primary responsibility for promoting the free flow of trade. We suggest that the Secretary of State designate the Directorate of Domestic Commerce to conduct a study of the impact of these inspections and levies upon the economy. The study should take into account the direct costs of collecting the taxes such as the assignment of personnel at the control points and the paperwork involved in

these controls, plus the indirect costs such as the spoilage of fresh foods and the enforced idleness of trucks, barges, and their crews during the inspections. Obviously the study group will need the full cooperation of the Department of Interior, the Delegates of the Government, the Province Chiefs, and the field organization of this Department in order to gather this detailed information. Close liaison should be maintained with the Bureau of Statistics and the National Institute of Statistics.

If it is found, on balance, that the current procedures are uneconomic, the study group should recommend simplified techniques for expediting these controls. At that time the Secretary of State might propose the establishment of an interministerial committee to consider alternative methods by which the provincial administrations could raise the needed revenues. It may then become possible to abolish this obstruction to the flow of commerce.

A P P E N D I X

A Partial Listing by Date of Official Texts Relating to Economic Affairs

Decree 27/KT of September 19, 1949 establishing the functions of the Ministry of National Economy and Planning.

Decree 29/TC of September 19, 1949 establishing the functions of the Ministry of Finance.

Decree 30/TK of September 19, 1949 establishing the functions of a Department of Commerce and Industry.

Arrete 12/MEN of December 10, 1949 creating the Institute of Statistics and Economic Studies within the Ministry of National Economy and Planning.

Decree 6/QT of January 21, 1950 establishing the composition of the Government, including a Minister of Finance and a Secretary of State for Commerce and Industry, but abolishing the Ministry of National Economy and Planning.

Decree 37/CP of May 6, 1950 establishing the composition of the Government, including a Minister of National Economy, a Minister of Finance, and a Minister of Public Works, Planning and Communications. There is no reference to Commerce and Industry, but the former Secretary of State for that department becomes Minister of National Economy.

Decree 11/CP of February 21, 1951 establishing the composition of the Government, including a Minister of National Economy,

a Minister of Finance, and a Minister of Planning and Reconstruction.

Decree 22/BKHKT of April 4, 1951 establishing the functions of the Ministry of Planning and Reconstruction.

Arrete 287/Cab/SG of June 14, 1951 assigning the Directorate of Mines, Industry, and Handicrafts to the Ministry of Planning and Reconstruction.

Arrete 262/Cab/SG of April 11, 1952 assigning the Institute of Statistics and Economic Studies to the Presidency.

Decree 49/CP of June 6, 1952 establishing the composition of the Government, including a Minister of Finance and National Economy, but without reference to Planning and Reconstruction.

Arrete 528/Cab/SG of July 15, 1952 incorporating the constituent elements of the former Ministry of Planning and Reconstruction into the Ministry of Finance and National Economy.

Arrete 578/MFEN/Cab of September 13, 1952 establishing the functions of the Ministry of Finance and National Economy.

Decree 3/CP of January 9, 1953 establishing by fission a Ministry of National Economy and a Ministry of Finance, Planning, and Reconstruction.

Decree 84/VP/ITK of January 28, 1954 assigning the Institute of Statistics and Economic Studies to the Ministry of National Economy.

Decree 94/CP of September 24, 1954 establishing the composition of the Government, including a Minister of Economy, a

Minister of Finance, and a Minister of Planning and Reconstruction.

Decree 22/KT of January 19, 1955 establishing the functions of the Ministry of National Economy.

Decree 23/KHKT of January 19, 1955 establishing the functions of the Ministry of Planning and Reconstruction.

Decree 145/CP of May 10, 1955 establishing the composition of the Government, including a Minister of Finance and Economic Affairs, but without reference to Planning and Reconstruction.

Arrete 33 KT/TTK/ND of June 7, 1955 organizing the Department of Economic Affairs within the Ministry of Finance and Economic Affairs.

Letter of Service 545/TC of August 16, 1955 assigning the planning elements of the former Ministry of Planning and Reconstruction to the Presidency and assigning the National Imports Committee to the Department of Economic Affairs.

Decree 494/TC/KT of August 22, 1955 incorporating the Regional Directorate of Economy for South Vietnam into the Department of Economic Affairs.

Decree 4/TTP of October 29, 1955 establishing the composition of the President's cabinet, including a Secretary of State for Finance and a Secretary of State for National Economy.

Decree 17/TTP of November 14, 1955 regularizing the previous assignment of planning elements to the Presidency and creating from them a Directorate-General of Planning.

Ordinance 17 of December 24, 1955 abolishing the administrative autonomy of the regions.

Instruction 34/TTP/VP of December 28, 1955 assigning the regional technical services to the corresponding national departments, including National Economy.

Decree 108/KT of August 7, 1956 establishing a National Institute of Statistics in place of the Institute of Statistics and Economic Studies and assigning its economic research function to the National Bank of Vietnam.

Proposed List of Organizational Units
in Department of Commerce and Industry

Annex B

- Secretary of State
- Director of Cabinet
- Secretary General

Service of Administration

Bureau of Personnel

Bureau of Accounting, Procurement and Budget

Bureau of Mail and Files

Bureau of Organization and Methods

Service of Program and Policies

Bureau of Laws and Regulations

Bureau of Program Review

Bureau of Statistics

Bureau of Commercial Information

Service of Field Operations

Field Representatives

- Directorate of Foreign Commerce

Service of Export-Import Licenses

Bureau of Export Licenses

Bureau of Import Licenses

Bureau of Control of Traders

Service of Export Development

Service of Program Planning

- Directorate of Domestic Commerce

Service of Tourism

Service of Commercial Development

Service of Allocation and Controls

- Directorate of Industrial Development

Service of Technical Standards and Research

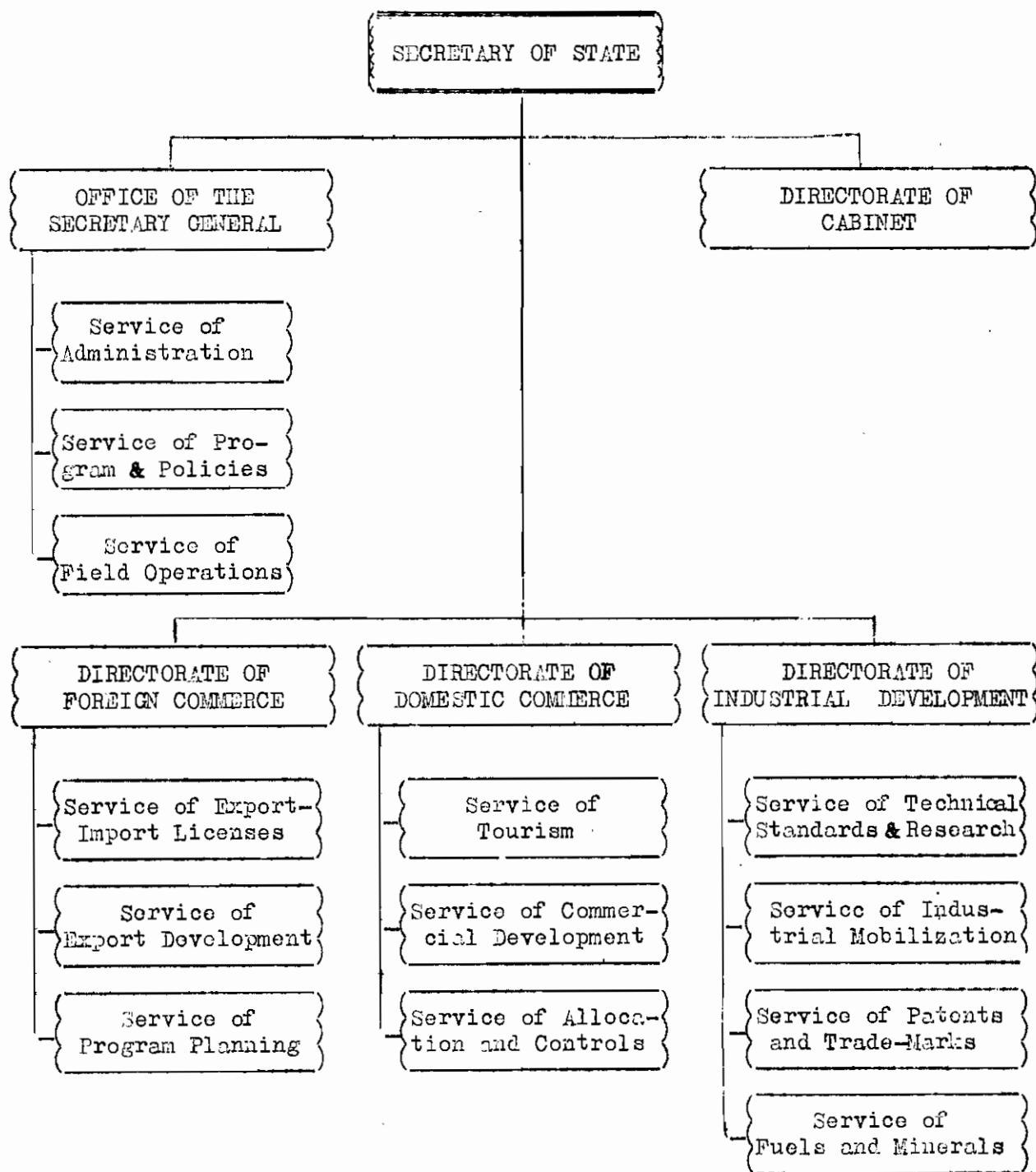
Service of Industrial Mobilization

Service of Patents and Trade-Marks

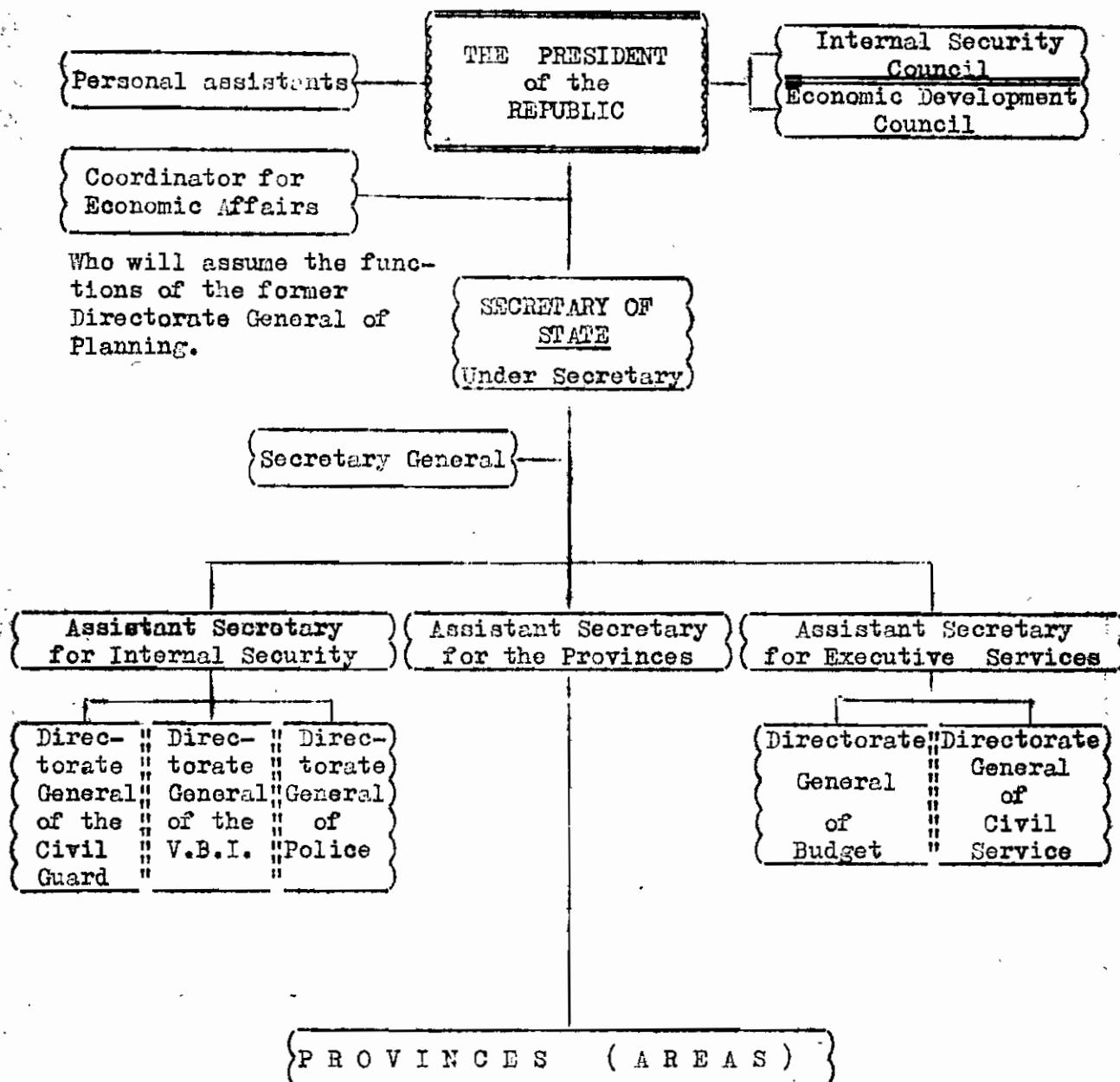
Service of Fuels and Minerals

Creation of additional bureaus is a question for later adjustment between the responsible chiefs and the proposed Bureau of Organization and Methods.

ORGANIZATION CHART FOR THE PROPOSED DEPARTMENT OF COMMERCE AND INDUSTRY

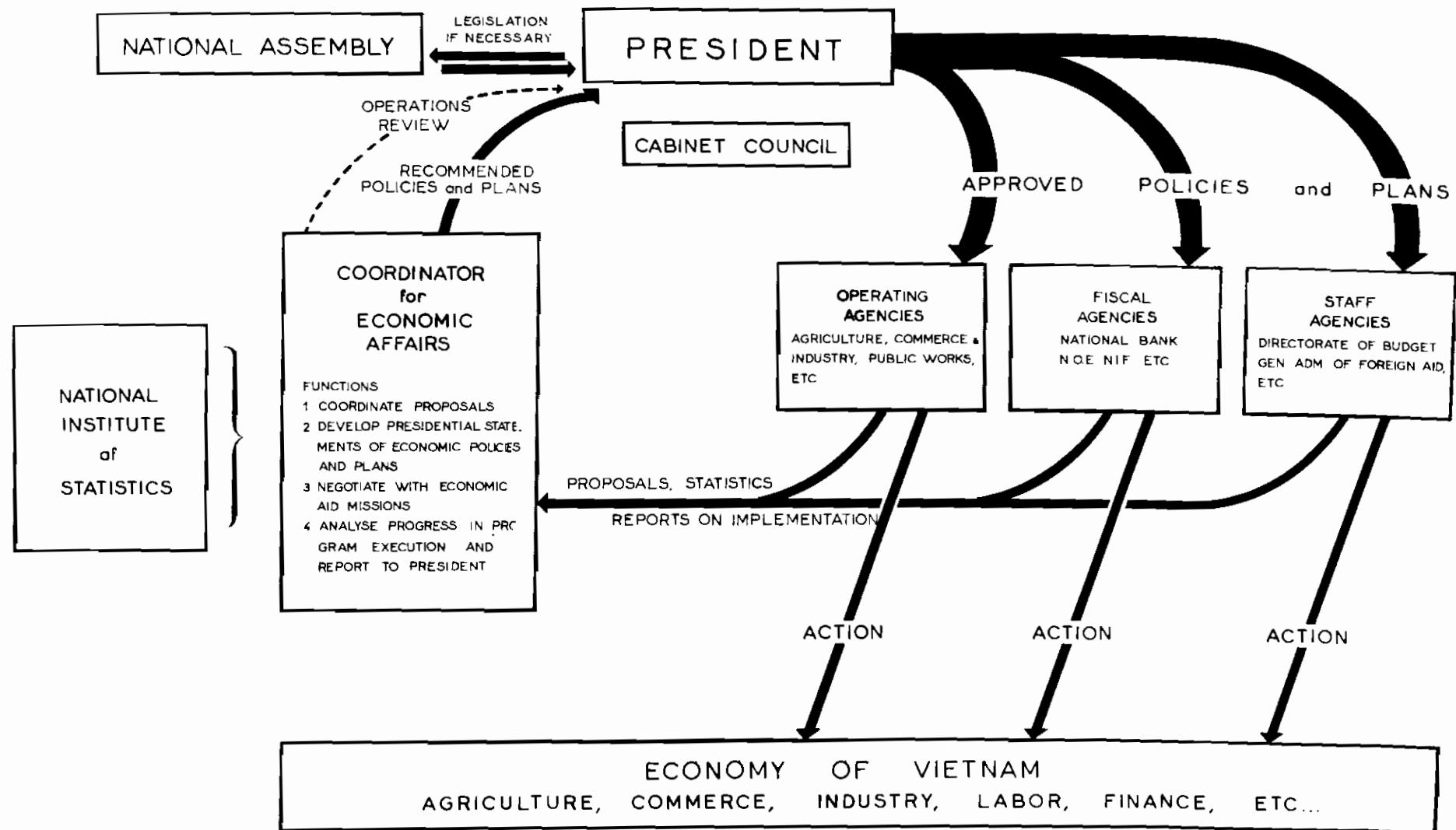


This Organization Chart shows those entities mentioned by name in the report but does not include the echelon of bureaus.

ORGANIZATION PROPOSED FOR THE PRESIDENCY

- This Chart shows only the entities mentioned in the proposed organization.

ECONOMIC DIRECTION



DEPARTMENT OF NATIONAL ECONOMY
ATTENDANCE REPORT

Month

Unit

Code

V = Worked
 LW = Leave with pay
 LO = Leave without pay
 S = Sunday
 H = Holiday

I certify that the attendance reported above is correct

(Signed) _____
(Title)