

ECONOMIC DEVELOPMENT OF SOUTH VIET NAM

The Institute of Asian Economic Affairs, *Minami Betonamu no Keizai Kaihatsu* (Economic Development of South Viet Nam—Slow but Steady Progress of Vietnamese Economy), 1962, 253 pp.

This is a joint study by Man'emon Tomizaki, Itsusaburō Nagata, and Jun'ichirō Shinho.

Following the second World War, a great number of countries cast off the yoke of colonialism and won independence. Many of these newly independent countries attached utmost importance to winning political independence, while they were fully conscious of the lack of conditions necessary for it. After winning political independence, these newly rising countries made all-out efforts to be economically independent in order to make their political independence complete. These endeavours took the form of a four-year economic and social development plan in some countries and a five-year plan in others. They were either intended for the construction of planned socialist economies or for the liberal, *laissez-faire* development of the country, depending on the political systems of these countries. Still in the early stage of their development, it is difficult to say which of these two divergent directions in economic development is achieving greater results. South Viet Nam follows the latter line of development.

Recently, the Institute of Asian Economic Affairs brought out a book entitled *Minami Betonamu no Keizai Kaihatsu* (Economic Development of South Viet Nam), which is one of the few books dealing with the socio-economic development of that country.

As matters stand at present, we cannot say that Viet Nam's Social and Economic Development Plan is registering success. Why? Further, it is said that it is an extremely difficult job to grasp the actual conditions of economic development in Viet Nam. Why? The present writer will begin with the points the authors are making:

1. As Viet Nam is divided into the north and the south by the 17th Parallel, South Viet Nam was not favoured with respect to its material resources from the first day of its independence. As for agricultural resources, it is fairly rich in rice and rubber. But it has no other resources worth mentioning. Unlike North Viet Nam, the southern half is completely devoid of such mineral resources as iron, coal, oil and copper. This situation was, and still is, a serious obstacle to the industrial development of the country.

2. Since its independence, South Viet Nam has been vigorously and continuously conducting anti-Communist campaigns. Military and police spending for this purpose baffles our imagination. Local economic activities have been stagnated and administrative functions paralyzed in some areas due to the

increased activities of Communist guerrillas (which are now organized into Communist forces). Under these circumstances, it is impossible to carry out central and local economic development programmes as originally scheduled. Military and police spending, comprising the larger part of the national budget, is a heavy drain on funds for economic development. Further it appears that the protracted military operations against the Communist guerrillas are a major factor responsible for the waning confidence of the people in the Government.

3. During the 80 years of colonial exploitation by the French, no serious efforts were made in the country to develop human resources. It is true that there are some able Government officials, but the Vietnamese as a whole are not trained enough to fully display their capacity. There are hardly any people who are capable of managing comparatively large enterprises successfully. This may be explained by the fact that all the economic activities of the country were under the control of the French and the Chinese. Further, as the French followed the policy of developing the country as a producer of primary products and of turning it into a market for processed goods, no enterprises, even of a smaller scale, that produced consumer goods, were developed, with the result that there was practically no chance for the Vietnamese to be trained as skilled workers or engineers.

4. In the period immediately following its independence, the country faced a real danger of financial collapse. It was impossible for the country to earn foreign currency by expanding export, and there was no alternative for it but to depend on aid from foreign countries in order to keep it going. Under these circumstances, in pushing economic development projects, it was compelled to depend on foreign aid for a larger part of the funds required. Foreign aid, American aid in particular, is, so to speak, a life line for this recipient country. However, since the donor country, the United States, is not in a position to advance planned aid to any long-term development programmes, South Viet Nam, heavily dependent on foreign aid, has to see its development programme very unstable and uncertain.

5. Lastly, the important thing that should not be overlooked, is the fact that during their domination of the country, the French rulers monopolized all the statistical figures on Indo-China. Therefore, in the newly independent Viet Nam, preparations are still insufficient for compiling reliable statistics. It is true that the United Nations as well as the United States extended technical assistance to that country in this respect, but, the compilation of statistics could not be achieved overnight without organizational and technical preparations. The unavailability of reliable statistics makes it impossible to correctly trace the course of economic development of the country. The official figures in detail on the development plans are not made public in that country probably due to the special situation in which it is placed today. Rough figures are only found in the President's speech made once a year on his birthday, or in what may be called

the presidential message. Emphasis is laid, however, not on the results of the implementation of the plan but on the desirable achievements of the future. Thus, the unreliability of statistical figures and the lack of related materials and literatures are a serious obstacle to the study of the economic development of the country.

In Chapter I, "The Economic Development of South Viet Nam" deals with the political, economic and social conditions of the country prior to the implementation of its economic and social development plan in order to make clear the situation in which this plan was started.

Politically and socially, the French rulers followed a policy of thorough repression, monopolizing important posts in the administrative machinery both in the centre and in the outlying localities. In education, they forced the French language and the history of France on the Vietnamese younger generation. In the economic sphere, they held almost all the rubber, tea, coffee, and other plantations, leaving only the cultivation of rice to the native population. In this section, too, the French, together with the Chinese, took control of the profitable rice-polishing enterprises and the export of rice. (It must be noted in this connection that a considerable number of Frenchmen became owners of rice-fields after they realized that rice-growing was a profitable business.) It goes without saying that the French held the most profitable import business to themselves. The Chinese merchants were next to the French in their vigorous commercial operations. Consequently, the Vietnamese were no more than being powerless officials, serfs or petty shop-keepers. As the war had brought about additional difficulties to the Vietnamese people who were already in such a miserable state, at the time of the start of its economic development plan, Viet Nam was like a wounded soldier trying to stand on his own feet on the completely devastated battleground.

As for Viet Nam's development programme, the first five-year plan aimed principally at consolidating economic foundations and improving the living standard of the people in order to enable the country to stand on its own feet. The Vietnamese Government planned to increase the gross national product by 12.5 per cent during the five-year period, or from 80,000 million piastres for 1956 to 90,000 million piastres for 1961, with the effort of putting the national budget on a sounder basis. The plan required an average yearly spending of of \$100 million, and a total of \$500 million for the entire period, which was broken down into \$157,110,000 for civil engineering and public works, 91,110,000 for agriculture, \$74,280,000 for power generation and irrigation projects, \$60,000,000 for social facilities, \$45,710,000 for mining and manufacturing enterprises, and \$71,790,000 for reserves. As for the supply of funds, the Government expected to obtain more than 85 per cent, or \$85,710,000, from foreign countries and about 5 per cent from private sources. The production target envisaged in the plan was to increase agricultural income from \$142,870,000 for 1957 to \$171,110,000 (at an annual rate of 4 per cent) and to step up mining, manufacturing and handicraft income from \$57,280,000 to \$85,710,000 (at

an annual rate of 10 per cent). A 12.5 per cent advance in the national income in five years meant a 2.5 per cent yearly increase. But as the annual natural increase in population was estimated at 1.5 per cent, the net increase in the national income was reduced at 1 per cent. To estimate the natural increase in population at 1.5 per cent appears to be unrealistic, as it is plain that the increase rate exceeds this level.

In the plan, emphasis is laid more on agriculture than on manufacturing industries, and the amount of investments earmarked for the former is double that for the latter. This is because the increase of agricultural production can be attained comparatively easily without requiring foreign currency. The agricultural development programme consisted of a short-, medium- and long-range projects. The purpose of the short-range project was to utilize abandoned or idled paddy-fields and to bring waste land under cultivation, while the medium-range project was to increase the production of sugar cane for the purpose of attaining self-sufficiency in the supply of sugar. The long-range plan was to get rid of old rubber trees and plant new ones on the rubber plantations.

In the development of mining and manufacturing industries, priority was given to the exploitation of the Nong-Son coal mines as providing a basis for the industrialization of the country. Also envisaged in the plan were the construction of a cement manufacturing plant in Hatien Province, the development of rock phosphate on the Paracel Islands, and the construction of medium-size sugar-refining, paper making, spinning and weaving, lumbering, tanning, and various kinds of assembly plants. These were to be managed directly by the Government or jointly invested in by the Government with private firms or foreign interests. Also included in the plan were two power generation plants, one being a thermal power plant to be constructed with U.S. aid and the other the Danim Dam hydraulic power plant, which was to be constructed with reparations payments by Japan. These two were incorporated in the plan after its start.

The most remarkable thing about this plan is the fact that the Vietnamese Government depends on foreign aid for the supply of more than 85 per cent of the yearly amount of funds required for its implementation.

The author avoids discussing critically various questionable points of the plan and tries to focus his attention on the actual results of the plan.

Achievements of the Plan

In viewing the economic development plan from the standpoint of its achievements, we cannot say that it has attained encouraging results. But no one can deny the fact that the plan was pushed with unremitting zeal in spite of all sorts of difficulties and obstacles. The authors try to explain this situation as concretely and extensively as possible. But it appears that they failed in achieving their purpose in this respect due mainly to the lack of data and materials. This was in spite of their tour of the country with the object of collecting necessary data. So far as the development of energy sources is concerned, it is comparatively easy to obtain figures on it, as most of the facilities are still under construction. But he fails in grasping concretely the actual implementa-

tion of the programme with regard to agriculture, and manufacturing and handicraft industries because of the failure of the Government agencies concerned to publish related figures, although they made every effort to obtain information from newspapers, magazines and other publications. Information from such sources, if obtained, is naturally fragmentary and far from being comprehensive. The authors obtain figure on production and evolution of foreign trade for the period from 1957 to 1960 from the *Annual Statistical Bulletin* published by the United States Operations Mission to Viet Nam (USOM). Here are part of the figures listed in the book.

The chronic deficit in trade, as is seen from Table 2, is explained partly by the top-heavy trend of the export of rice and rubber, and is not unrelated to the special circumstances in which fortunately the deficit in the trade account is covered by U.S. aid. Such a deficit is not caused automatically in an autonomous economy.

The author attaches importance to the fact that the Vietnamese Government switched emphasis in the course of implementing the plan from agriculture to industry. This policy change may be explained by the fact that the Government could no longer regard agricultural products for export such as rubber and rice as capable of earning foreign exchange, as a result of the continued decline of the international prices of these products. Under these circumstances, the Government was compelled to save its precious foreign currency as much as possible. It was thus necessary to limit or suspend the import of consumer goods by promoting enterprises that could be developed with materials and techniques locally available. The Government made tremendous efforts toward this end, to further industrialization: it took the lead in launching enterprises to stimulate civil investors to participate, investors who are keen on amassing short-range profits but are reluctant to invest in long-range projects. Further, it took measures to treat preferentially those domestic and foreign enterprises investing jointly with it, in industrial ventures. Thus, plans were worked out and put into practice one after another to launch spinning and weaving mills, sugar refining, pulp and paper making, cement manufacturing, pharmaceutical, glass making, jute cloth weaving, rubber processing, and various other plants. Particularly remarkable was the development of textile plants. If the present plans are carried out successfully, the production of woven fabrics will be sufficient in two or three years to meet the domestic demand, while preparations are being made to attain self-sufficiency in the supply of paper, refined sugar and tyre tubes. In addition, the country is turning out more glass vases than it needs and is already exporting part of the production. While the import of finished sewing machines, watches and radio sets is completely prohibited, there will be no need for importing cement in the future if a cement manufacturing plant, which is planned in Triton in the southern part of the country, is completed. Thus, the country is making rapid progress in the attainment of self-sufficiency in consumer goods whose domestic production is comparatively easy. This situation is bound to effect a major change in the import structure of the country. However, it is a matter for regret to say that it is not easy for Viet

Table 1. SHIFTS IN PRODUCTION IN VIET NAM

Item	1957	1960
Rubber (metric tons)	69,657	78,011
Unhulled rice (")	3,191,600	5,421,000
Sugar (refined) (")	1,111	57,091
" (raw) (")	13,775	26,281
Salt (")	79,830	155,689
Cotton yarn (")	0	713
Jute bags (1,000 pieces)	0	2,761
Oxygen (cubic decametres)	45,000	52,900
Acetylene (")	10,600	10,400
Beer (1,000 litres)	53,934	51,420
Rice alcohol (")	9,321	7,990
Timber (1,000 cubic metres)	479	320
Firewood (")	641	877
Charcoal (metric tons)	58,200	61,500
Tobacco (")	6,769	5,460
Copra (")	26,000	29,775
Coffee (")	3,265	3,500
Corn (")	17,561	28,000
Sugar cane (")	869,890	846,100
Cotton (")	—	200
Ramie (")	0	165(1959 figure)
Kenaf (")	0	1,700
Cotton fabrics (1,000,000 metres)	20.5	35.0
Rayon fabrics (")	24.0	82.0
Underclothings (1,000 dozens)	288	500
Socks (")	85	220
Cattle (1,000 heads)	688	862
Buffaloes (")	544	592
Pigs (")	2,564	2,953

Source: United States Operations Mission to Viet Nam, *Annual Statistics Bulletin No. 4, Data through 1960, 1961.*

Nam to launch such basic industries as the iron industry or other heavy and chemical industries, mainly because of the undeveloped state of allied industries and the unavailability of capital, production techniques and resources required. The authors describe the situation of the above-mentioned industries in detail, but a more sophisticated approach to this question is required.

Further, the authors explain not only the economic base of the country—railways, roads, transportation, communication, civil aviation, etc.—but also the

Table 2. MOVEMENTS OF FOREIGN TRADE
(Millions of U.S. dollars)

Year	Import	Export	Deficit
1957	288.7	80.5	-208.2
1958	232.1	55.2	-176.9
1959	224.6	75.1	-149.5
1960	239.5	84.1	-155.4

Source: USOM, *op. cit.*

labour, education, and financial situation of the country. In this sense, this book is extremely convenient as a guidebook, as it provides encyclopaedic information on the political, economic and social affairs of the country.

Problems of the Economic Development of South Viet Nam

It is not the purpose of the authors to point out specific problems regarding the economic development of the country and to criticize the policy of the Government. Only they try to present both the negative and positive aspects of the economic development by way of providing background information for the solution of problems.

However, generally speaking, it is clear that the negative aspects predominate over the positive side. Apart from the question of natural resources of the country, the authors emphasize the development of human resources as the most important and urgent task. In order to promote the industrialization of the country, it is vital for the Government to concentrate on secondary education in general and on primary and secondary technological education. In the last analysis, the economic development of a country depends not on material resources but on human efforts. By human efforts are meant the efforts not only of those directly engaged in production but of factory workers, farmers, Government officials, entrepreneurs, etc.

Foreign Aid

South Viet Nam depends on foreign aid not only for funds to cover deficits in the national budget but also for a large part of the tremendous military and police outlays and most of the funds required for economic and social development. For instance, U.S. aid amounted to \$1,440,400,000 between 1955 and the end of June 1962. The total amount is broken down into \$1,247,600,000 for non-economic purposes and \$192,800,000 for development projects, or for the development of agriculture, natural resources, mining and manufacturing industries, transportation, education, sanitation facilities, etc. The amount of U.S. aid, falling under the latter category, totalled \$127,800,000 between 1955 and the end of 1960, which is broken down into \$50,830,000 for construction and transportation projects, \$11,020,000 for education, \$38,850,000 for the development of agriculture and natural resources, and \$4,720,000 for mining and manufacturing industries. Nearly 90 per cent of the total amount of aid is earmarked for military spend-

ing. These military expenses, however, are allocated out of the counterpart funds for goods imported from the U.S. into the country.

French aid is exclusively economic, technical, and cultural and does not include military aid.

It is necessary for Viet Nam to consolidate its economic foundations without delay while foreign aid to that country continues. It is for this purpose that the country is now making desperate efforts.

Lastly, most unfortunate for South Viet Nam is its interminable, bloody struggle against Communism. There is no prospect of the civil war ending at an early date, in spite of tremendous U.S. aid in both material and personnel and tremendous sacrifices being made by Viet Nam itself. This situation yearly demands of the Vietnamese Government a staggering sum of military outlays. A glance at the following table will show the magnitude of sacrifice being made by the nation.

Table 3. MILITARY AND POLICE SPENDINGS

(Millions of piastres)

US \$1 = 35 piastres

	1957	1958	1959	1960	1961
Total national budget expenditures	14,920	14,134	15,276	5,214	14,985
Military spending	6,599	6,043	5,997	5,798	5,797
Police spending	613	642	2,246	2,042	2,162

Source: USOM, *op. cit.*

According to foreign newspaper reports, recently Viet Nam's Communist guerrillas are no longer mere irregular bands so far as their scale is concerned, but are full-fledged fighting units calling themselves the "South Vietnamese Liberation Army". It appears that the increased strength of these forces is due to support given to them not only by the Communists but by anti-Government elements. The spread of anti-war sentiments and growing disaffection among the populace would spell doom to the present regime. It is reported that the Vietnamese Government has decided to use U.S. aid to carry out operations to stamp out the Communist guerrillas and to strengthen direct economic aid to farmers. It is hoped that peace is restored to Viet Nam as early as possible so that the economic development of the country may make steady progress.

Frankly speaking, the present writer thinks that there is one thing that the authors should have done. The authors should have made efforts to supplement the statistical data at the end of the book with the latest figures. It would have been very difficult but would not have been entirely impossible to secure such figures by establishing close contacts with, and obtaining cooperation from, the Vietnamese authorities concerned. Further, we would have liked the authors to give us more accurate and concrete information on the increase in the national income and the actual living conditions of the people toward the end of the five-year plan.

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